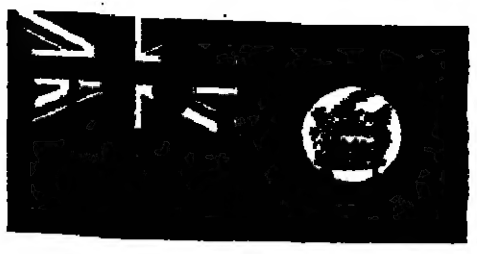
FINANCIAL TIMES



Hong Kong
Big risks for China too
Book Review, Page 10

Machine vision
Wider role in quality control
Technology, Page 17

Argentina
The economy after Cavallo
Page 3

Trade disputes
WTO more popular than Gatt
Page 6

World Business Newspaper http://www.FT.com THURSDAY AUGUST 8 1996

IBM, Mercedes plan advanced car computer

IBM, the world's largest computer group, and Mercedes-Benz of Germany are working together to develop vehicle electronics networks to control engine functions, transmission and other mechanical operations and provide access to the Internet, satellite navigation systems, traffic and other data. Page 12

China agrees to join nuclear test ban: The US has reached a deal with Beijing to add China's signature to a treaty outlawing all future nuclear test explosions. Only objections from India are holding up an agreement.

Scientist doubts proof of Martian life: The European Space Agency's top Mars scientist warned evidence of life on the planet, uncovered by Nasa scientists, should not be taken too seriously. Page 4; Editorial Comment, Page 11

N Ireland march banned: The British government moved to head off violence in Northern Ireland after the banning of a planned Londonderry march on Saturday by the protestant Apprentice Boys. Page 8

Adidas announced a 56.3 per cent rise in pre-tax profits to DM249m ($167m) for the first half of the year, highlighting the German sports goods maker's recovery from financial difficulties in the early 1990s. Page 13

ValuJet reported a second-quarter loss of $9.6m after the discount US carrier was grounded in June following a crash in the Florida Everglades in May. Page 15

British new car sales up 17%: Registrations of new cars in Britain jumped by 17 per cent year-on-year in July, boosting hopes of sales over 2m this year for the first time since 1990. Page 8

Dresdner Bank of Germany announced operating profits of DM1.42bn ($956m) in the *first half of 1996, a rise of 44 per cent, helped by* a strong securities business and a first-time contribution from Kleinwort Benson, the UK investment bank acquired last year. Page 13

Toyota, Japan's largest carmaker, will invest $150m in a new production factory in Brazil, despite a continuing row between the two countries over Brazil's car policy. Page 6

Cathay Pacific Airways, the Hong Kong-based airline, announced net profits of HK$1.65bn (US$314m) for the first six months of the year – a 67 per cent rise over 1995. Page 13

Brazil plans banks bail-out: Brazil unveiled a plan to restructure the country's debt-burdened state banks in a move seen as part of an assault on mounting public sector debt. Page 12

Fed sees US growth easing: The US Federal Reserve said the economy kept growing in June and July but there were signs the pace was easing from its hectic second-quarter rate. Page 3

$4m bail for ex-Bremer Vulcan chief: A German court set a DM6m ($4m) bail for Friedrich Hennemann, the former chairman of bankrupt shipping group Bremer Vulkan AG, who was arrested on June 20 for suspected misuse of funds.

India announces Kashmir elections: India said it will hold elections in the troubled Jammu and Kashmir state in September, the first in the Himalayan province for nine years.

Radish linked to Japan food poisoning

A Tokyo shopkeeper displays radish sprouts (above) for sale at a local supermarket. Japan's health ministry said radish spouts might be the source of a food poisoning outbreak that has killed seven people and affected more than 9,000 others. Page 4

FT.Com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,693.52	(-2.59)
NASDAQ Composite	1,133.61	(+4.74)
Europe and Far East		
CAC40	1995.74	(-2.60)
DAX	2531.88	(+9.42)
FT-SE 100	3811.1	(+22.7)
Nikkei	20,477.59	(-267.29)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.155%
Long Bond	90⅞
Yield	6.749%

OTHER RATES

UK: 3-mo Interbank	5⅞%	(same)
UK: 10 yr Gilt	98¼	(98⅛)
France: 10 yr OAT	108.52	(108.45)
Germany: 10 yr Bund	99.8	(99.78)
Japan: 10 yr JGB	98.4862	(98.0714)

NORTH SEA OIL (Argus)

Brent Dated	$19.575	(19.565)

GOLD

New York: Comex		
(Dec)	$394.1	(394.4)
London:		
close	$388.2	(388.6)

DOLLAR

New York: lunchtime		
£	1.5435	
DM	1.48535	
FFr	5.063	
SFr	1.2115	
Y	107.925	
London:		
£	1.542	(1.5379)
DM	1.4829	(1.4843)
FFr	5.0828	(5.0520)
SFr	1.2075	(1.2059)
Y	107.75	(106.925)

STERLING

DM	2.2866	(2.2821)
Tokyo close:	Y 107.845	

Albania	LEK 220	Gibraltar	£0.75	Lithuania	Lts 15.00	Qatar	QR11.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr11.50	Kuwait	Fils.650	Portugal (m'land)	Es240	Turkey	L80,000
Germany	DM4.00	Lebanon	LL3,000			UAE	Dh12.00

Washington move will allow Baghdad to spend $1.1bn on medicine and food

US clears way for Iraq oil sales

By Michael Littlejohns in New York and Robert Corzine in London

The US yesterday withdrew its opposition to a plan that will permit Iraq to sell up to $2bn-worth of oil and use the proceeds for humanitarian purposes.

The move clears the way for the first approved international sales of Iraqi oil since the Gulf war began in 1990.

Ms Madeleine Albright, the US delegate to the United Nations, announced that Washington had dropped objections that had delayed the UN Security Council sanctions committee's approval of a scheme to distribute food and medicine to Iraq's civilian population, including rebel Kurds in the north.

All 15 Security Council members sit on the sanctions committee and the US was the only member to object when the panel met last week.

Oil prices yesterday dipped 20 cents for the benchmark Brent Blend for September delivery but recovered in late trading to end at $19.475 a barrel, a fall of 2 cents on the day.

Some traders fear the return of an estimated 700,000 barrels a day of Iraqi crude oil to world markets after a six-year absence could trigger further price falls, as Baghdad battles to recover customers lost to rival Middle Eastern producers such as Iran, Kuwait and Saudi Arabia.

It was unclear last night when the first oil would be shipped. Oil traders said 12m barrels of Iraqi crude were stored at the Turkish port of Ceyhan ready for loading on to tankers. Iraqi officials said it could take only two weeks to conclude the first sale.

But western diplomats said a month might be needed to ensure enough aid and oil sales monitors were in place in Iraq to make certain the regime's compliance with the UN guidelines.

The Iraqi aid distribution proposal was accepted last month by Mr Boutros Boutros Ghali, the UN Secretary General, but the US insisted on stricter monitoring.

Ms Albright said the US would make sure that the necessary procedures for oil sales and the distribution of civilian supplies were carried out "very rigorously". It was imperative to ensure that the "right people" benefited. She added that US approval did not in any way abrogate the existing sanctions regime.

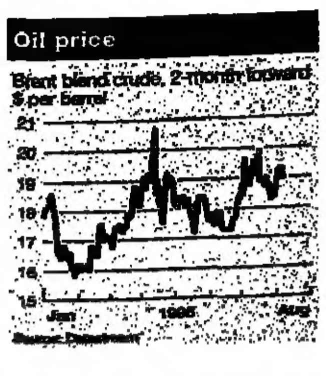
Ms Albright said a few technical questions still had to be resolved. The US was insisting that the UN engage a sufficient number of monitors and put them "in the right places".

Oil sales will be permitted over a six-month period, but delegates say the programme is likely to be extended if procedures are satisfactory.

Under the Security Council resolution adopted last year, Iraq would have to spend $1.1bn on food and medicine, $600m on Gulf war reparations, $260m-$300m on relief for the Kurdish minority and $40m-$100m on supporting UN operations in Iraq. UN inspectors will monitor how the money is spent.

The Organisation of Petroleum Exporting Countries, whose member countries control more than a third of world supply, has said it would call an emergency meeting if Iraqi oil sent world prices tumbling.

Oil price



Commodities, Page 20

Chechen rebels step up assault on Grozny

By John Thornhill in Moscow

Chechen separatists yesterday *intensified their assault on* Grozny, the capital of the southern Russian region, killing more than 50 federal troops and casting a shadow over President Boris Yeltsin's inauguration ceremony tomorrow.

After a fragile ceasefire agreement broke down earlier this month, Chechen rebels launched a series of guerrilla raids on Russian troop positions. Yesterday they fought their way into the heart of Grozny, seizing the telephone exchange and threatening to storm the local government headquarters.

The assault prompted a fierce response from Russian helicopter gunships as army commanders vowed to "take all possible steps" to evacuate civilians and clear the city of guerrillas. Russian reinforcements arrived in Grozny last *night to secure government* offices, according to Interfax, the Russian news agency.

The fighting in Chechnya will come as a severe embarrassment to Mr Yeltsin as he prepares to greet 3,000 Russian and foreign dignitaries at his inauguration ceremony in the Kremlin. *The ceremony will be* the first occasion that a democratically elected leader is sworn into office in Russia's history as a sovereign nation.

All leaders from the Commonwealth of Independent States are expected to attend the inauguration as well as foreign ambassadors in Russia. *But fresh concerns were raised* about the state of Mr Yeltsin's health as the inauguration's organising committee switched the venue for the ceremony from the Cathedral Square to the Soviet-era Kremlin palace.

The president's press service said the change of venue from an outdoor to an indoor site was purely a cost-cutting measure that would save Rbs9,000bn ($1.7m).

But some observers suggested Mr Yeltsin wanted to minimise his exposure at the ceremony, which has already been cut from 60 to 30 minutes. Mr Yeltsin has not been seen in public since June 26.

His failure to resolve the conflict in Chechnya may also alienate many of his liberal supporters who grudgingly backed the president's re-election bid. *But Mr Alexander* Lebed, the secretary of the Security Council, held out some hopes yesterday that a new more broadly based peace initiative would soon be launched in Chechnya.

Mr Lebed said the Security Council planned to convene a forum of all interested parties in Chechnya to hammer out a compromise solution.

Zyuganov eyes links with nationalists, Page 2; Tall order for a tired man, Page 11

Croatian president Franjo Tudjman (left) and Serbian president Slobodan Milosevic (right) at lunch with Greek premier Costas Simitis during talks in Athens where Serbs and Croats made progress on opening full diplomatic relations Report, Page 2 Picture: Reuter

France announces big spending cuts

By Andrew Jack in Paris

The French government yesterday announced plans for substantial cuts in public spending to achieve a planned *spending freeze in 1997.*

But scepticism in the markets about the French government's ability to maintain budgetary rigour reinforced recent downward pressure on the franc. It closed at FFr3.413 against the D-Mark, its lowest closing level since March and *a fall of 1.7 centimes against* the D-Mark this week.

The Matignon, the prime minister's office, said it had set "an unprecedented" objective of cutting more than FFr60bn ($12bn) in real terms from expenditure targets across government departments to ensure that next year's overall target was maintained at this year's level of FFr1,552bn.

Mr Jean Arthuis, the minis*ter of economics and finance,* dismissed the pressure on the franc, which he said was driven by "rumours" that encourage speculation, "especially during August". Yesterday's expenditure freeze was "the best response" for the markets, he said.

He reiterated that the government would meet its objective that the 1996 deficit would *not exceed 4 per cent of gross* domestic product, falling to 3 per cent in 1997 and allowing France to meet the Maastricht criteria for monetary union.

Mr Arthuis said the first elements of the government's promised five-year tax reform programme would be unveiled in parliament this autumn, and that the government aimed to reduce the tax bur*den for the current year.*

Yesterday's budget figures emerged after the last French cabinet meeting before the

Continued on Page 12

Schering profits boosted by surge in MS drug sales

By Judy Dempsey in Bonn and Daniel Green in London

Schering, the German pharmaceuticals company, yesterday delivered the profits growth investors have been expecting for more than two years.

The sharp rise in profits was helped by a surge in the sales of Schering's multiple sclerosis drug, the first to be marketed by a pharmaceuticals group.

Net profits for the first half of the year rose 32 per cent from DM185m in 1995 to DM244m ($165m). The company said it expected profits to grow by a third for the whole year.

This rate of growth is double that posted by most large pharmaceuticals companies at the interim stage. Schering shares rose 3.2 per cent to DM108.90.

The profits rise ends a run of disappointing results over the past year, caused partly by the strong D-Mark. Investment analysts have criticised the company for what they regarded as passive management. Mr Mark Tracey, analyst at Goldman Sachs in London, said the company had undergone a transformation in the first half of the year.

"Management seems to have got its strategic act together," he said. He said Schering had signed a distribution agreement with Abbott Laboratories of the US, one of the world's biggest suppliers of hospital drugs, for Schering's contrast agents, used to make X-ray images clearer.

Schering's growth was led by a sharp increase in foreign sales, lower tax charges and higher sales in its diagnostic and fertility divisions.

Sales of its multiple sclerosis drug, Betaseron, rose from DM190m to DM265m in the first half. Group sales rose 11 per cent from DM2.3bn to DM2.56bn. Foreign sales rose 12 per cent, from DM1.95bn to DM2.19bn, with sales in the US and Latin America rising 20 per cent. Domestic sales increased 6 per cent, from DM355m to DM375m.

The tax burden on pre-tax earnings fell to 41 per cent as most growth was in countries with lower corporate tax rates than Germany.

Sales in the fertility control and hormone therapy division grew 10 per cent, from DM705m to DM775m, with Climara, a hormone drug launched last year in the US contributing DM21m.

Earlier this year, Schering took a 74.9 per cent stake in the Jenapharm group, an east German company specialising in fertility products. Last month it bought Leiras, the Finnish company specialising in fertility control and hormone treatments. The therapeutics business, which grew by 16 per cent, from DM577m to DM670m, was boosted by sales of Betaseron.

World stocks, Page 30

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Serbs and Croats edge a bit closer

By Karin Hope in Athens and Laura Silber in Belgrade

Presidents Slobodan Milosevic of Serbia and Franjo Tudjman of Croatia yesterday appeared to make progress at talks in Athens on opening full diplomatic relations.

But they failed to resolve crucial obstacles to mutual recognition by the two former Yugoslav republics and no firm timetable was set for establishing normal ties.

They agreed that the Serbian and Croatian foreign ministers would meet in Belgrade at the end of August to discuss a formal accord covering issues such as the exchange of ambassadors, said a statement issued after the meeting.

Tanjug, the Serbian state news agency which reflects Mr Milosevic's views, later stressed that Croatia must meet "political pre-conditions" set by the Dayton peace agreement before there could be recognition. These include the return of several hundred thousand Serb and Croatian refugees to their homes.

A year ago this week, some 200,000 Serbs fled Croatia after the Croatian army captured the Serb-held enclave of Krajina. Despite Mr Tudjman's formal commitment to their return, only 1,000 Serbs have been allowed back into Croatia where they face harassment by local authorities.

The Serb and Croat presidents, the two most powerful leaders in ex-Yugoslavia, had not held a bilateral summit since March 1991, when they conspired at a hunting lodge in northern Serbia to partition Bosnia at the expense of the Moslems.

Yesterday's meeting was arranged by Greece's prime minister, Mr Costas Simitis at the request of Mr Milosevic. It was held amid tight security in a luxury hotel in Vouliagmeni, a seaside suburb of Athens.

Greece has close ties with Serbia, based on their common Orthodox Christian tradition. But relations were strained earlier this year when Mr Milosevic decided to recognise the former Yugoslav republic of Macedonia under that name, which Greece claims should be changed to avoid implying a claim on the Greek province of Macedonia.

Diplomats in Belgrade said Mr Milosevic requested the meeting to try to speed the process of mutual recognition with Croatia.

He is anxious to secure recognition for Serbia and Montenegro as the sole successor state to the Yugoslav federation, taking over its seat at the United Nations and its membership of the International Monetary Fund without having to meet any conditions which might be imposed on a new member.

Mr Milosevic had also revived his proposal for a three-way exchange of territory with Croatia and the Bosnian Serbs which would improve access to rump Yugoslavia's only naval base in the Bay of Kotor.

In return for handing over the Prevlaka peninsula which overlooks Kotor, Croatia would get Bosnian Serb-held land in the hinterland of Dubrovnik. The Bosnian Serbs would get a strip of *land between* Yugoslavia and Croatia.

Greek premier takes a brief bow and retreats to the wings

Greece's prime minister, Mr Costas Simitis, made a quick exit yesterday after wishing the leaders of Serbia and Croatia success at the start of their talks at a seaside hotel outside Athens, writes Kerin Hope.

While Greek officials stressed that the meeting between Presidents Slobodan Milosevic and Franjo Tudjman was arranged by the Socialist premier "to promote peace and stability in the Balkans", they were careful not to sound over-optimistic about its outcome.

The Greeks have unhappy memories of a failed attempt in 1993 to reconcile the warring factions in former Yugoslavia. Those talks at the same hotel at Vouliagmeni, hosted by conservative prime minister Constantine Mitsotakis, ended with all the ex-Yugoslav leaders putting their signatures to the Vance-Owen peace plan. But Mr Mitsotakis's diplomatic triumph collapsed a few days later when the self-styled Bosnian Serb parliament rejected the plan.

In the past year, Greece has tried to offset its image of being too close to the Serbs by promoting relations with Croatia and the Bosnian Moslems. Yet the traditional Greek-Serb friendship still flourishes. Mr Milosevic is a frequent visitor to Greece where he is courted by businessmen who used to ship oil and other supplies to Serbia in defiance of United Nations sanctions and are now keen to invest there.

The Serbian leader is believed to have asked Mr Simitis to set up the meeting with Mr Tudjman during a holiday aboard his new yacht, *purchased in Athens. He arrived for* yesterday's talks from Hydra, an island popular with Greek shipowners.

Zyuganov eyes links with nationalists

By John Thornhill in Moscow and agencies

All in favour. Mr Gennady Zyuganov (centre) votes with colleagues at the congress yesterday Reuter

Russia's Communist party yesterday attempted to revive its political fortunes after last month's crushing presidential election defeat by forging a formal political alliance with leading nationalist groups.

At the founding congress of the National Patriotic Union, leading Communist politicians urged all opposition forces to rally around the new movement to campaign for the next presidential election in 2000.

Mr Gennady Zyuganov, the Communist party leader and defeated presidential candidate, said, "We face a choice. Either we unite our forces or lose our motherland."

The new union will include at least 44 parties, including the parliamentary Communist and Agrarian parties, and many nationalist and extreme communist splinter groups.

A common programme has still to be developed for the wide spectrum of political views but there were signs of a shift from the communist past towards a more nationalist position. Draft documents circulated at the conference made no mention of socialism.

Such a move reflects the perception of many politicians, including moderate communist leaders, that nothing resembling old-style communism could command enough support for electoral success in Russia.

Moderate nationalism appears to have a wider appeal because many people yearn for the superpower status lost when the Soviet Union collapsed in 1991. Some extreme Communists were wary of the new union.

Mr Victor Anpilov, who leads the militant Working Russia movement, said that such a broad coalition would lack the iron discipline needed to create an effective political organisation.

"To use Lenin's words, what one needs to break down a regime is not simply a powerful organisation but an organisation of revolutionaries," he said.

But Agrarian party leader Mr Mikhail Lapshin said he hoped radical parties such as Working Russia would not join the new Union.

"There must be a normal, constructive opposition," he said in a television interview before the congress.

Mr Anpilov responded by distributing a statement at the congress saying he would join the Union only if it agreed to complete lack of co-operation with the authorities. Working Russia won more than six million votes in a parliamentary election last December but moderates would welcome a break with Anpilov because any association with him limits the chances of attracting millions of potential centrist voters.

Mr Nikolai Ryzhkov, the former Soviet prime minister and head of the union's organising committee, said: "The aim of the movement is to achieve a transformation to save the country from national catastrophe and create a force working for the rebirth of Russia as a great, independent and socially-oriented power."

The biggest groups in the new party will be Mr Zyuganov's Communist party and its allies in the Agrarian party, which will provide the union's base in parliament. In the short term, it will attempt to capitalise on public discontent with the government, especially if its economic difficulties increase.

Tall order for tired man, Page 11

Old ghost back to haunt Spain's new team

The 'dirty war' inquiry which tormented the Socialists is now straining the conservatives, writes David White

The spectre of the "dirty war" against Basque terrorism, which *haunted Spain's Socialists during* their last term in office, has returned to torment the country's new conservative administration.

Controversy over the government's approach to the investigations has rocked inter-party consensus on the handling of Basque violence. It has also strained relations between the governing Popular party and the moderate Basque Nationalist party (PNV), one of the allies on whom it relies for a majority in parliament.

Mr José Antonio Ardanza, PNV president of the Basque regional government, is set to call a special meeting of the main political parties in the region, probably next week, overriding objections from both the Popular party and the Socialists.

The meeting is under the terms of a pact, signed by the parties in 1988, to work together to pacify the Basque country. It has been prompted by the government's refusal to hand over secret service documents to three judges investigating "dirty war" cases, and by the release from custody of a Civil Guard general who had commanded the force's main operational headquarters in the region.

Mr Ardanza's decision is the result of a switch in position by the PNV, joining demands by the Communist-led United Left and Eusko Alkartasuna, a harder-line PNV splinter party. The PNV accused the court which ordered the release of the controversial Civil Guard officer, Gen Enrique Rodríguez Galindo, of yielding to pressure.

The move threatens to undermine efforts to maintain a joint inter-party front in the fight against Eta, the illegal armed separatist group. In June, when Eta declared a one-week truce, the mainstream parties in the region agreed on a common declaration rejecting negotiations unless the organisation extended its ceasefire, freed a kidnapped prison officer and accepted democratic institutions.

Mr José María Aznar, prime minister, said yesterday the meeting was "not a good idea" since there were no reasons for calling it. After a two-hour audience with King Juan Carlos at the monarch's summer residence in Majorca, he said the government had acted in line with its legal obligations.

"I was elected to govern this country, not to stir up the past," *he insisted. However, his party* made clear it would attend the talks. The Socialists described the initiative as "a mistake".

The Supreme Court is due to make a final decision early next month on whether to call on Mr Felipe González, the Socialist former prime minister, to testify in the inquiry into high-level involvement in the Anti-Terrorist Liberation Groups (Gal), which are held responsible for 27 killings in the 1980s.

After a recent string of Eta attacks in tourist centres, police experts on Tuesday blew up a suspected bomb at a state-owned Parador hotel outside Córdoba.

Norwegian onshore oil workers threaten strike

Talks were under way in Oslo last night to stop a proposed strike by Norwegian onshore oil workers which could shut down Norway's largest refinery and disrupt crude deliveries, Reuter reports from Oslo.

The YS skilled workers' union yesterday threatened to pull out 280 members at the Mongstad crude terminal and refinery if there was no agreement on general working terms with the Norwegian Oil Industry Association.

This gave rise to fears yesterday that the dispute could spread to the gas and petrochemical sectors.

The YS workers, who include engineers, operators and office personnel, are employed by Statoil, the state-owned oil company, which operates the Mongstad facilities.

The terminal handles crude from Norsk Hydro's Troll and Statoil's Heidrun fields and some deliveries from the Gullfaks and Statfjord developments. It has a storage capacity of 8m barrels of oil. The nearby refinery has a throughput capacity of 144,000 barrels per day.

Statoil said it was working on contingency plans to lessen the impact of any action. It has 800 YS members working across its operations. If the initial strike goes ahead, YS is reported to have plans to accelerate action after four days.

Extended action would affect operations at the Kaarstoe gas terminal and at Statoil's joint venture Borealis petrochemical plant in south-east Norway.

Kaarstoe is the processing terminal for the Statpipe line, which collects gas from the Statfjord, Gullfaks, Tordis, Snorre, Brage Veselfrikk and Heimdal fields for transport to Emden in Germany. It has a capacity of about 25m cubic metres a day. It is also the landing point for condensate from the 60,000 bpd Sleipner field.

The Borealis plant, a joint venture between Statoil and Finland's Neste Oy produces 130,000 tonnes a year of high-density polyethylene, 140,000 tonnes of low-density polyethylene and 100,000 tonnes of polypropylene.

Borealis said it was too early to tell if the plant would close completely if the strike spread. The company has 80 YS members out of 650 employees.

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Court gives French electricity group a nasty shock

Andrew Jack reports on a social security ruling that could cost EdF a packet

Pressure is mounting on the French government to decide whether to authorise a new social security structure for Electricité de France, the state electricity monopoly, following a long-awaited legal judgment issued last month.

The Conseil d'Etat, the country's highest administrative court, ruled last month that the social security regime applied by EdF to its workers since 1960 was illegal, raising the possibility that the group could be forced to make back-payments totalling FFr3bn ($600m).

The decision is triggering a round of soul-searching among other French public enterprises which may also be affected, as well as highlighting the extraordinarily complex and bizarre structure of remuneration paid to EdF's staff.

The Toulouse office of the government social security payments collection agency, Urssaf, challenged the EdF system in 1984. Under that system, the company and its 120,000 employees are liable to pay social security levies totalling 16 per cent on their basic wage only and not on any of the bonuses which make up a significant proportion of their final pay.

EdF stresses that it had always paid the charges for which it was liable which were set out in a ministerial decree signed in 1960. It says that its staff were exempted from payments on their bonuses to compensate for the fact that EdF itself pays costs such as maternity leave, medical expenses and for accidents at works, which are normally funded directly by the state social security system.

It also argues that the system evens out, and stresses that although the bonus payments provide additional income to its staff, they do not count towards the calculation of pensions.

However, EdF's critics say that this system breaks with the Republican principle of equality, by granting exemptions to the group which are not available to other companies. They also underline the bizarre nature of a system which is structured around dozens of bonuses.

The EdF statutes include bonuses such as two months' salary for an employee who marries; payments on top of the legal minimum allowance for each child; and compensation for the *concierge* or wife of an employee who is periodically called on to do that person's job – such as answering telephone calls for someone on 24-hour call.

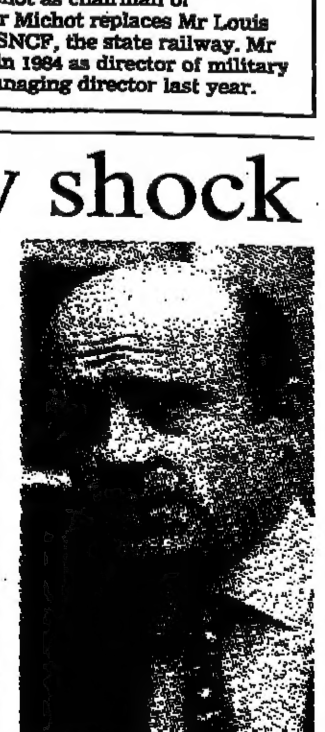
EdF says there are nearly 50 types of bonus: including overtime; moving into higher cost areas because of job requirements; pay to staff carrying out compulsory military service; compensation for holidays which have not been taken; and even one for staff who change jobs and lose existing bonuses in the process.

The Conseil d'Etat, to which the case was referred by the social security tribunal in Toulouse in 1991, ruled in July that the 1960 decree followed by EdF was illegal, on the grounds that it was signed by a mere minister, and in fact required the authority of the prime minister.

The question now is whether Mr Alain Juppé, the current prime minister, will sign a new decree, and on what terms.

Some experts say he could make new regulations retroactive, exempting EdF from making any past payments. Others believe he may even refuse to "legalise" EdF's existing system.

At a time when the government is seeking additional funding for its deficit-ridden social security system, and a reduction in the number of special regimes, making an exception for EdF could prove politically embarrassing. The risk is that to refuse to do so could trigger a new round of industrial unrest in the coming months.



Premier Alain Juppé: difficult decision

EUROPEAN NEWS DIGEST

Go-ahead for BP and Mobil

British Petroleum and Mobil of the US have been given the go-ahead by the European Commission to proceed with the $5bn merger of their European refining and marketing operations. Brussels imposed no restrictions on the merger, which is the most dramatic response so far to the chronic overcapacity threatening the viability of western Europe's downstream oil industry.

The tie-up will result in the loss of 2,000-3,000 jobs out of a combined non-service-station workforce of 17,500 across the continent. Combining the two companies' operations should result in annual pre-tax savings of $400m-$500m, achieved mainly through economies of scale, the reduction of overheads and eliminating duplication.

BP will manage the fuels side of the combined business, while Mobil will focus on lubricants. The two companies should be able to complete the first country partnerships by the end of the year. The merger is expected to be completed by the end of 1997. *Robert Corzine, London*

Euro seen to benefit Germany

Europe's proposed single currency, the euro, will benefit the German economy by opening export opportunities, slashing transaction costs and removing pressure for the D-Mark to appreciate, DB Research, the research arm of Deutsche Bank, said yesterday.

In a study paper, DB Research said banks would be hit initially by the costs of currency conversion and informing the public, but would then benefit from growth impulses in the internal market. Demand for paper and printed goods would benefit those industries temporarily, while software developers could also expect growth.

DB Research said almost DM40bn ($27bn) annually in transaction costs could be saved by the euro, which would also provide greater certainty in calculation and more transparency and would cut the need for currency hedging. Germany would tend to become more attractive as a place to do business. *Reuter, Frankfurt*

German building jobs at risk

Germany's construction industry could shed 200,000 jobs in the coming year if it fails to revive and if labour costs do not become more competitive.

The grim forecast by Mr Fritz Eichbauer, leading figure in an industry which employs more than 1.1m people, coincides with attempts by the government, unions and employers to agree on minimum pay levels for building workers from other European countries who are employed in Germany for much less than their German counterparts.

Mr Eichbauer's warnings confirm a recent report by the Ifo economics research institute. It said overall growth in construction would fall 4 per cent next year after a decline of 1 per cent in the second half of this year and a sharp drop of 5 per cent during the previous six months caused largely by the long winter.

Investment in the industry was expected to fall as much as 4 per cent this year in west Germany, while the boom in east Germany was set to end. *Judy Dempsey, Bonn*

Russian company loses assets

A Russian court has seized the assets of Zvezda, which makes nuclear submarines, and intends to sell the company hospital and maternity home to pay its debts, the Interfax news agency reports.

The company, in Bolshoi Kamen on the Pacific coast, owes its suppliers more than Rbs36bn ($7m), according to Mr Valery Maslyukov, a company director, and the court action has been brought by a water company owed around Rbs6bn. He told Interfax the medical facilities were likely to be sold at "dumping prices" and that if the sale did not raise enough cash, Zvezda would also have to sell cars and computer equipment.

Mr Maslyukov pointed out, however, that Zvezda was itself owed more than Rbs80bn, including Rbs17bn of budget funds.

Zvezda's problems are part of a vicious circle of non-payment affecting much of Russian industry. Companies do not pay their bills, and are not paid for deliveries, and many of them have allowed large wage arrears to develop. *Reuter, Moscow*

Erbakan backtracks on Kurds

Mr Necmettin Erbakan, Turkey's Islamist prime minister, yesterday appeared to disavow proposals by members of his Refah party to open talks with moderate Kurdish representatives on ending the 12-year insurgency in south-eastern Turkey led by the Kurdistan Workers party (PKK).

"We will make no concessions in the fight against terrorism, we will not sit at the table with terror," he said after a regular weekly meeting with President Süleyman Demirel, who is close to Turkey's powerful security establishment. Mr Erbakan said: "It is impossible for Turkey to abandon its approach of a single nation, single flag and unitary state."

In opposition, Mr Erbakan claimed he would bring peace to the mainly Kurdish south-east, where 20,000 civilians, soldiers and guerrillas have died, by bringing Turks and Kurds together under Islam. Military hardliners have repeatedly blocked proposals for a political settlement. The government said troops had killed 24 guerrillas in clashes throughout the southeast yesterday and on Tuesday. *John Barham, Ankara*

■ Germany's federal statistics office yesterday said nominal sales in almost every branch of the wholesale trade had declined in June, year-on-year, with finished goods, consumer goods and agricultural and livestock products reporting the highest falls. In real terms, finished goods fell 9 per cent and consumer goods 6 per cent.

■ The French cabinet yesterday confirmed the appointment of Mr Yves Michot as chairman of state-owned Aérospatiale. Mr Michot replaces Mr Louis Gallois, who leaves to head SNCF, the state railway. Mr Michot joined the company in 1984 as director of military programmes and became managing director last year.

Republican abortion rift deepens

By Jurek Martin in Washington

The deep Republican divisions over abortion were further underscored yesterday as moderates accused religious and cultural conservatives of trying to create a "monolithic" party, while pro-life candidates emerged victorious in scattered congressional primaries.

Governor William Weld of Massachusetts, a staunch advocate of abortion rights, warned that he was ready to lead a floor fight at next week's convention in San Diego if the party's platform committee did not agree to publish a minority report emphasising the diversity of Republican opinion.

That approach has been rebuffed in committee deliberations to date. But, Mr Weld said, "It seems to me this isn't rocket science. We know half the delegates are pro-life and almost half are pro-choice. Why don't we just say so?"

He then contacted prominent Republicans of similar persuasion, including Governors Pete Wilson of California and Christine Todd Whitman of New Jersey and Senator Olympia Snowe of Maine.

The support of a majority in six state delegations is needed to bring any issue to the floor of the convention for full debate, a goal which Mr Wilson thought was within reach.

Mr Weld argued that it was vital for Republicans to show their "inclusiveness" on social issues and concentrate on economics in the fight against President Bill Clinton.

"If we do that, I don't think it's necessarily negative for [likely presidential candidate Bob] Dole to pick either a pro-life or a pro-choice running mate."

But the strength of the pro-life forces at grass-roots levels was again shown in the Republican primaries, frequently dominated by committed activists. In three of the four Senate contests, in Kansas, Michigan and Georgia, the only important difference between the winners and losers was their position on abortion.

In Michigan, for example, Mrs Ronna Romney, a former talk show host who was previously married to the son of the illustrious late state governor George Romney, edged out Mr Jim Nicholson, a pro-choice businessman.

David Pilling on the economic problems awaiting Cavallo's replacement

Different minister, same Argentina

Mr Roque Fernández, Argentina's new economy minister, could hardly have hoped for a smoother first few days in office. Instead of the turbulent markets many had expected to follow the removal of Mr Domingo Cavallo, his predecessor, Mr Fernández has been greeted by market optimism and strong investor support.

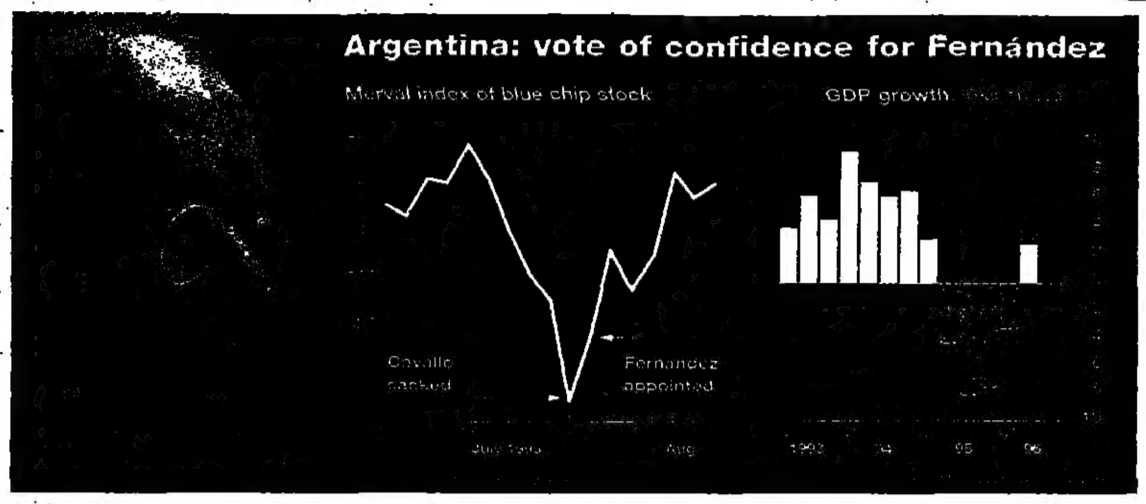
Much of that is to do with the political astuteness of President Carlos Menem, who judged to perfection the moment to sack his assertive economy minister – once considered the guarantor of Argentina's economic model – and who mounted an impressive operation designed to bolster the credibility of Mr Fernández the weekend after the dismissal.

Before markets opened on Monday July 29, Mr Fernández had received the support of all sections of the Argentine establishment, including Mr Cavallo. He had also named a team of highly orthodox, monetarist economists judged stalwart defenders of the convertibility system, Argentina's economic cornerstone that pegs the peso at parity with the dollar.

Markets reacted like a dream, with the local Merval index of blue-chip stock up nearly 10 per cent in the first week after Mr Fernández's appointment. Interest rates remained virtually unchanged.

"The world did not collapse," says Mr Freddy Thomsen of ING, the Dutch bank. "But now we realise that this is the same world as last month, with the same problems and few solutions."

Those problems centre on a stagnant economy struggling to haul



itself from the deep recession of last year. Tax receipts are short of targets set with the International Monetary Fund, obliging the treasury to raise taxes further or to look for spending cuts. Convertibility, which forbids the printing of local currency not backed by foreign inflows, in effect removes the tools Argentina might otherwise use to jolt the economy into action.

Room for manoeuvre is narrow. Next year, according to Merrill Lynch, the US securities house, Argentina's financing needs reach an uncomfortable peak, with debt-service payments rising from \$11.7bn in 1996 to \$14.8bn.

"The reason the transition was so smooth was due to the orthodoxy of the economic team," says Mr Pedro Lacoste of the Alpha economic consultancy. "But this could backfire in the medium term."

This could happen, he believes, because Mr Fernández, as a strict Chicago-trained monetarist, is likely to be more rigid in his policy decisions than Mr Cavallo. Social and political demands are mounting fast, given 17 per cent unemployment, and the likely inflexibility of Mr Fernández could quickly become a headache for the Peronist party, which has its roots in the working class.

Neither does Mr Fernández have the political clout of his predecessor, who often took the blame for unpopular decisions, shielding the president from criticism.

Mr Fernández, most analysts agree, will take a tougher stance than Mr Cavallo on the growing fiscal deficit – likely to reach \$5bn, or nearly 2 per cent of gross domestic product, this year. Mr Cavallo tended to put his faith in expected future growth, while Mr Fernández, conscious of the rigorous standards imposed on Argentina by foreign investors, will be inclined to seek immediate deficit reduction.

"On the one hand, Fernández has to adopt a tighter fiscal policy to show that the deficit has not become structural," says Mr Lacoste. "But, on the other, he has to make every single effort to speed up recovery. That, of course, is a contradiction."

Mr Geoffrey Dennis, chief Latin American strategist at Bear Stearns, the US investment bank and brokerage group, agrees: "The biggest problem, once you've got over the issue of confidence, is that it's going to be no easier for Fernández – and probably more difficult – to get the economy going again." Hemmed in by convertibility on one side and IMF targets on the other, "Fernández will face exactly the same problems as Cavallo."

It is unclear whether the fractious Peronist party has the stomach to push through ever-tougher policies. Peronists in Congress have promised to co-operate with the new minister but, with the threat of market collapse overcome, their pledges may quickly evaporate. A commitment last week to dispatch several privatisation bills has already been broken.

Unions too, which are today mounting a 24-hour general strike against economic policy, are not likely to extend an over-friendly hand to the conservative Mr Ferńndez, who is bent on making labour relations more flexible and on seeking further spending cuts. It may not be long before the wrath previously reserved for Mr Cavallo shifts to his replacement.

"Mr Fernández may be doomed to entering a lose-lose game," warns Mr Shafiq Islam of Credit Suisse. "If he goes after greater fiscal austerity in a jobless economy struggling to emerge from recession, he will quickly earn the wrath of the old-guard Peronists... If he gives in to Menem's manipulation, he will lose credibility in the international financial community and earn the ire of the IMF."

Mr Orlando Ferreres, an economic consultant, believes that Mr Fernández has the skills to steer the economy in the right direction, and that President Menem has the political courage to push through necessary legislation.

Above all, he says, recent events have been a test of fire for Argentina. "The minister of convertibility has gone," he says. "But convertibility itself has remained."

US growth eases

The US economy kept growing in June and July, the Federal Reserve said yesterday, but there were signs the pace was easing from its hectic second-quarter rate, Reuter reports.

Raw material and finished goods prices were generally flat, the Fed said in its latest Beige Book summary of national economic activity, while wage pressures "remained subdued" despite tight labour markets.

Fed policy-makers will use the book, compiled by the New York regional Fed bank, when they meet on August 20 to plot interest-rate strategy.

The Fed is expected to hold rates steady amid a spate of government and industry reports showing the economy slowing after the strongest growth in two years during the second quarter. The book said retail sales were softer in most of the country at the start of the second half of the year.

Canada paves way for telecoms battles

By Bernard Simon in Toronto

Canada has bowed to the rapid convergence of telecommunications services by clearing the way for open competition between telephone and cable television companies.

Players on both sides are expected to move cautiously to take advantage of the new policy, which was announced after a cabinet meeting earlier this week.

Mr John Manley, industry minister, said "the objective of the exercise is to provide choice, to produce technological innovation and to bring about lower prices for consumers."

But Mr John Henderson, analyst at ScotiaMcLeod, a Toronto-based securities firm, said the new regime "doesn't change the economic or technical barriers, which are high". In addition, various regulatory issues, such as inter-connection rules and curbs on cross-subsidisation, still need to be ironed out.

Canada has taken a more gradual approach than some other industrial countries in telecoms and broadcasting deregulation.

The telephone market is dominated by about 10 local phone companies, led by Bell Canada, which have a near-monopoly on services in each province. The phone companies have proved unexpectedly agile in responding to competition in the long-distance market, introduced in 1992.

The cable-TV industry has the advantage of a modern network and one of the world's highest penetrations. About 80 per cent of Canadian homes have access to cable-TV.

But the cable operators have so far concentrated on specialised telecoms markets, such as broadcast studio feeds and private business circuits. The phone companies' muscle, cross-subsidisation of local rates by long-distance services, and sobering experiences in other countries, notably the UK, have made the cable-TV industry hesitant to mount a full-scale assault on the telephone market.

Mr John Kuhn, a Toronto consultant, predicted some cable operators will start providing local telephone services next year. British Columbia's phone company recently gained approval to supply cable-TV programming to a large new residential development in Vancouver.

However, head-to-head competition could be fiercest in high-speed internet services. Some cable operators have recently begun trials in a Toronto suburb and in parts of Quebec.

NEWS: ASIA-PACIFIC

Malaysia to review power grid

By James Kynge in Kuala Lumpur

Malaysia is to hire a foreign consultant to review the operations of Tenaga Nasional, the national power utility, after a blackout last weekend which embarrassed the government, cost manufacturers an estimated M$123m ($49m) in losses and has shaken foreign investors' confidence.

Prime Minister Mahathir Mohamad, irritated at what he has called a national shame, said it might be necessary to build a new national power grid parallel to the existing one. He also did not rule out ending Tenaga's monopoly on power transmission and distribution. The government has said consumers can sue Tenaga for losses incurred as a result of the power cut.

Industry analysts said some or all of five independent power producers which already generate power, may be given permission to build transmission networks in some areas of the country.

Mr Ani Arope, Tenaga's executive chairman, yesterday defended the company's record, saying efforts would be increased to ensure there is not a recurrence. But Dr Mahathir, in common with other senior government officials, did little to conceal their impatience with Tenaga – which is 70 per cent state-owned – and Mr Ani.

"They can't give a guarantee and we find this difficult to accept when other countries don't have such national blackouts," Dr Mahathir said. He dismissed Mr Ani's assessment that there was no inherent weakness in the country's integrated system in which a single failure could shut down the whole grid, as happened at the weekend.

Malaysia's embarrassment over the blackout was heightened by the fact Dr Mahathir had two days previously invited the world's top information technology companies to invest in a "multimedia super-corridor" near the capital.

Ms Rafidah Aziz, minister for international trade and industry, said she had been forced to assure Japanese investors that Malaysia had overcome earlier electricity problems.

In 1992, the national grid shut down after a bolt of lightning hit a power plant.

Economic pessimism grips Japan

Consumer spending is rising but may not lead to a boom, writes Gerard Baker

In spite of a wealth of evidence that Japan has at last pulled clear from the long recession of the last few years, a curious economic pessimism continues to grip the country. Policy-makers and markets seem mesmerised by the possibility that recovery might prove transitory.

This mood has been sharply reflected on the Tokyo stock market – yesterday share prices continued their sharp fall of recent weeks, a decline that has taken them lower by 10 per cent in little over a month. Also yesterday the country's economic planning agency issued its monthly report and warned that the recovery was still only a mild one.

And nowhere is the uncertainty about economic prospects better illustrated than at the Bank of Japan. Since last September, the central bank has held the official discount rate at 0.5 per cent, its lowest ever level in an effort to jump-start the economy back into life. But even as the recovery appears to have taken hold the bank still seems strangely reluctant to adjust policy accordingly.

Yesterday, Mr Yasuo Matsushita, the bank's governor, again expressed scepticism about the strength of the recovery. "The economy remains on a recovery path," he said, "but the tempo is still only moderate."

On the surface this seems over-cautious. Since the bank cut rates last autumn, the economy has enjoyed something of a renaissance.

In the space of a few months Japan has gone from the bottom of the growth league of the Group of Seven countries to the top. Independent economists expect output to grow this year by as much as 4 per cent well ahead of its global rivals and much faster than in any year since the late 1980s.

So what explains the nagging uncertainty? The simple explanation is that most officials cannot quite believe their own statistics. The rate of growth in the first quarter of the year, the figure that is solely responsible for the dramatic improvement in prospects this year, was so spectacular that no one believes it can possibly be maintained.

Gross domestic product grew at an annual rate of 12.7 per cent in the first three months of the year, the best quarterly performance since the 1970s. Even stripping out special statistical factors peculiar to the first quarter (the extra day from the leap year, for example, may have added as much as 3 per cent to the annualised rate of growth) the figure was still almost unbelievably impressive.

Since the figure was so outlandish, it is clear the economy will slow down sharply in the rest of the year, but by how much?

The specific concern among policy-makers is that the jolt to demand delivered by the injection of more than Y14,000bn ($131bn) of public works in the last year will gradually fade out over the next few months. In the first quarter, public sector investment was a crucial factor in the growth spurt. The question on which economic confidence now hinges is how much of that demand is being transferred to the private sector?

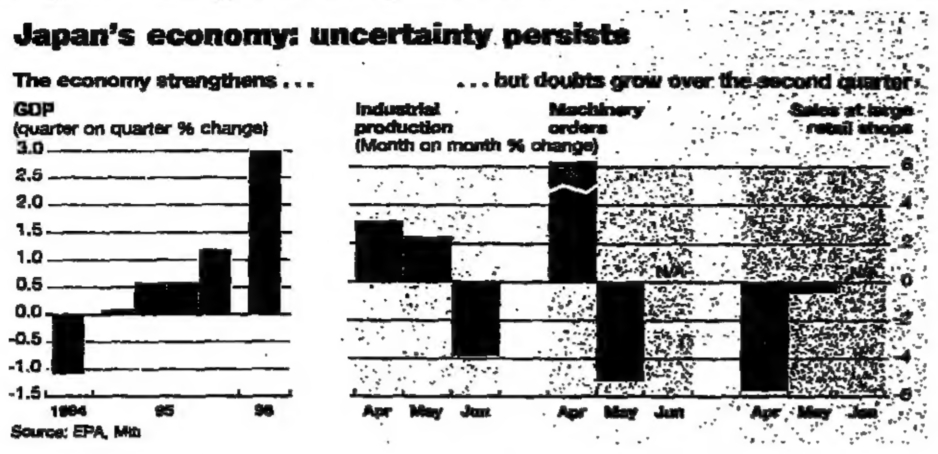
Economists are now studying the evidence so far from the second quarter of the year to gauge the response of the other big components of domestic aggregate demand – private consumption and investment.

There have so far been some encouraging signs that personal consumption is rising. Wages and salaries have ended a long period of stagnation. Total pay per employee should rise by about 1.6 per cent in the course of 1996, according to Nomura Research Institute.

But hopes for a consumer boom are probably misplaced. There is little evidence the Japanese are about to abandon their frugality of recent years. Latest figures suggest consumers are spending just over 72 per cent of their total disposable income, up slightly since the low point of last year but well below the figures seen in the high-rolling 1980s and early 1990s. And their reluctance to spend is likely to intensify next year, when the government raises national consumption tax from 3 per cent to 5 per cent.

The outlook for the other big domestic component of demand – investment – also looks uncertain.

In short, the evidence suggests there is no clear case for confidence yet that, as the fiscal stimulus diminishes in the next year or so, the private sector is ready to take up the baton of demand growth.



Source: EPA, Miti

Japan's three ruling coalition parties agreed yesterday to work out a set of measures by the end of September to reform the Finance Ministry, Kyodo reports from Tokyo. Top party policy-makers agreed to map out reform measures after the ruling coalition failed on Tuesday to adopt proposals drafted by the Social Democratic party as a basis for discussions because of strong opposition from the Liberal Democratic party – a fellow member of the coalition and its biggest component.

Threat to foreign ownership in NZ

By Terry Hall in Wellington

The New Zealand First party, which is campaigning on a policy of economic nationalism in advance of October's general election, would ban all overseas investors from owning more than 24.9 per cent of any strategic asset, its leader, Mr Winston Peters, said yesterday.

NZ First is currently the second most popular party, with 20 per cent support in opinion polls compared with 46 per cent by the National party government. NZ First's best hope of entering government would be coalition with Labour, which opposes its views on foreign ownership.

Mr Peters' comments follow a statement by the New Zealand manager of the Sydney-based institutional investor AMP Society that it might reduce its New Zealand investments if it appeared that a change of government after the election on October 12 would threaten its policy-holders' interests.

The AMP, with NZ$5bn (US$3.4bn) under management, is New Zealand's biggest life insurance company. Mr Peters said the second biggest, French-controlled National Mutual, would also be restricted in asset ownership.

There was widespread surprise at Mr Peters' comments as recently he had been trying to allay foreign investors' fears of sweeping changes in foreign ownership rules.

His comments came after political polls showed a surge in support for right-wing Christian parties to more than 5 per cent, sufficient for them to join forces with the National party to keep Mr Jim Bolger's administration in power. Mr Peters campaigns against business corruption and seeling of New Zealand assets abroad. This has put him among the country's most popular politicians.

ASIA-PACIFIC NEWS DIGEST

Radish linked to epidemic

Japanese growers of white radish sprouts yesterday sought to allay consumer concerns after a government report identified the vegetables as a possible source of the food poisoning epidemic that has killed seven people and left more than 9,000 ill. One large supermarket chain, Ito Yokada, yesterday said that it would halt sales of white radish sprouts. A vegetable producer said that the government report was a "matter of life or death" for growers. Vegetable markets have reported significant declines in the prices of vegetables for raw consumption, such as lettuce and cucumbers.

The producers' fears followed an announcement by Mr Naoto Kan, health and welfare minister, that the vegetable might have been a source of the infection in Sakai, the western city at the centre of the epidemic. This is the first time the government has identified a specific food as a possible source of the epidemic.

The report says white radish sprouts which were supplied by a single producer were served in lunches at schools in Sakai, and at an old persons' institution affected by the food poisoning. The government yesterday said it would investigate the supplier of the white radish sprouts under the Communicable Diseases Prevention Law invoked on Tuesday. *Michiyo Nakamoto, Tokyo*

Jakarta trade surplus falls

Indonesian trade and inflation figures published yesterday gave mixed signals, with analysts still uncertain whether the economy is heading for a soft landing. The inflation rate in July increased 0.68 points from the previous month to 7.5 per cent year-on-year. The increase came in all sectors, most notably in July food prices, up 1.04 per cent month-on-month.

The trade surplus fell to $203.1m in May from $366.2m in April. Analysts said the trade imbalance was likely to worsen in the second half of 1996 as more foreign direct investment projects came on-line and global demand for Indonesia's exports flagged. *Manuela Saragosa, Jakarta*

Japanese film star dies

Kiyoshi Atsumi, the Japanese star of the world's longest-running movie series and a cinematic symbol of Japan's post-war development, has died, Shochiku, his film company, said yesterday. News of the death of the 68-year-old actor, who played the character Tora-san in 48 films since 1969, shocked Japan, with several television stations suspending their programmes to report the actor's demise. "His films reflected the period of post-war peace; his death seems to signal the end of an era for Japanese history," Mr Yoshiro Shirai, a leading film critic, said. The character played by Atsumi, a well-meaning but misguided hawker, frequently ended up in unlikely situations across Japan or in European cities such as Vienna and Amsterdam. *AFP, Tokyo*

■ Taiwan posted a trade surplus of US$1.35bn in July, up 140 per cent from July 1995, the finance ministry said yesterday. The gain was attributed to a sharp slowdown in imports. Imports fell 15.5 per cent from a year earlier to US$8.124bn, while exports slid 6.8 per cent to US$9.47bn. *Laura Tyson, Taipei*

■ India yesterday announced dates of local assembly elections in the troubled state of Jammu and Kashmir, the first assembly polls there in nine years. Polling will be held on September 7, 16, 21 and 30. *Reuter, New Delhi*

NEWS: INTERNATIONAL

Mars find gives science new life

Discovery sparks hopes of fresh research and more funds, writes Daniel Green

The odds against finding intelligent life on other planets have fallen from 500-1 to 25-1. London bookmaker William Hill's response to news that US scientists have discovered what looks like a fossil in a piece of Martian rock seemed to be in line with that of many of the world's scientists who have hailed the discovery as the most compelling evidence yet that life is not unique to Earth.

Some called on governments and space agencies to spend more on space research. In particular, they called for expensive programmes to launch space probes that would travel to Mars and bring back more rock samples to try to confirm the discoveries.

Governments are likely to study closely the evidence presented before committing themselves to costly new space programmes.

What the scientists from the Johnson Space Centre in Texas, universities in California, South Carolina and Quebec, Canada, and the company Lockheed Martin believe they have found is a microscopic fossil. What they have actually seen is organic chemicals that have been embedded in shapes strikingly similar to those of some bacteria on Earth.

The rock itself has been identified as Martian even though it is a meteorite collected from Antarctica in 1984. The theory is that it was thrown off the Martian surface millions of years ago by some kind of impact – the Viking probe 20 years ago discovered a Martian surface littered with debris. The rock would then have drifted through space before falling to Earth.

The authors of the paper, to be published next week in the journal Science, admit that what they have found is not conclusive evidence that life, however primitive, ever existed on Mars.

What it does is to change the question from whether or not life could have arisen outside Earth to whether and how life could sustain itself and progress to more complex forms such as plants and animals.

Science is moving to a view that primitive life is possible in many hostile environments. Micro-organisms have been discovered on Earth, living in volcanic sulphur, for example.

According to Mr Colin Pillinger, Gresham Professor of Astronomy at the UK's Open University, who has worked on fragments of the same meteorite that has yielded the fossil-like forms, studies must now be made on the environmental differences between Mars and Earth. They could help find out what allows life to start and then either to be fostered or destroyed.

All of which could help trigger a large diversion of funds towards Mars research.

The budget for the European Space Agency is about $3bn a year and Nasa's proposed 1997 budget is $13.8bn. But these figures cover the entire spectrum of activities ranging from earth observation to zero-gravity experiments. The work on Mars comes from Nasa's $1.8bn and ESA's $400m space science budgets.

Both budgets are under continual scrutiny by their government paymasters.

The mood at Nasa yesterday was one of barely disguised excitement that the media excitement at the possibility of life on Mars would lead to a bigger budget.

It said that it relied on "the public writing to their Congresspeople" to push through budget increases. That could happen quickly: the agency has submitted its 1997 budget but it has not yet been passed by Congress and could still be amended, said Nasa.

The ESA too has been cool on Mars projects, partly because of the expense involved in sending a probe.

Mr Marcello Coradini, co-ordinator of solar system mission at ESA, said that two projects had been proposed since ESA pronounced its commitment to Mars research last year. Neither has received a go-ahead. Now he hoped that projects would be given a more sympathetic hearing.

If budgets were increased, many companies especially in the defence sector, could benefit. The makers of components for and assembly of space rockets are usually from the defence sector. They include Lockheed Martin, TRW and Hughes in the US, and Matra and British Aerospace in Europe.

Editorial Comment, Page 11

FOSSIL 'COULD COME FROM EARTH'

Evidence uncovered by Nasa scientists of life on Mars should not be taken too seriously, the leading Mars scientist at the European Space Agency warned yesterday, Daniel Green reoprts.

Mr Marcello Coradini, co-ordinator of solar system mission at ESA, said the rock containing what looks like a fossil could be from Earth. While it was similar to rocks examined 20 years ago on Mars by the Viking space probe, there was not enough physical evidence to say it came from Mars.

Any rock blown off the surface of Mars should have been melted by the force of the explosion. The liquid rock would then have interacted with the Martian atmosphere, leaving signs that have not been seen.

"It is almost impossible to eject a piece of rock from Mars like this," he added.

Mr Colin Pillinger, Gresham Professor of Astronomy at the Open University in the UK, who has worked on the same meteorite, said the meteorite's gas content identified it as Martian.

But the rock did not appear to have stress features and other marks consistent with having been blown off Mars' surface by some kind of impact. "It is truly one of the puzzling pieces of evidence." Prof Pillinger added.

Assad hits at Israeli stance

By Sean Evers in Cairo

President Hafez al-Assad of Syria said yesterday there was nothing in Israel's so-called "Lebanon first" proposal that gave "hope that peace is coming".

The Syrian leader met Egypt's president, Mr Hosni Mubarak, in Alexandria where they discussed Israel's attempt to draw Syria back into the stalled Middle East peace process. They both agreed that the Lebanese and Syrian peace "tracks" with Israel should not be separated, but "both should go parallel together".

Last week Israel's prime minister, Mr Benjamin Netanyahu, outlined terms for a withdrawal of Israeli troops from southern Lebanon, where Israeli forces have held a "security zone" since 1978, "as a first step to peace with Syria". Syria, the main power broker in Lebanon with 35,000 troops on the ground, rejected the offer.

An official close to the talks in Alexandria yesterday described the Israeli proposal as a "non-starter". The Syrians see the latest Israeli move as a trap, comparing it with the "Gaza first" agreement the Palestinians signed in 1993. This led to establishment of a Palestinian authority in Gaza and parts of the West Bank, which Mr Assad believes gave Israel a great advantage to stall on further concessions. If they agreed to the Lebanon first proposal, the belief is this would result in indefinite postponement of the Syrian-Israeli talks over the Golan Heights, which the new Israeli prime minister has vowed not to give up.

Mr Assad said the new Israeli government was making a mistake in disregarding long years of effort that went into launching the 1991 Madrid conference, where the "land for peace" principle was adopted by all sides. He said: "Netanyahu speaks with slogans that challenge the world, and makes light of the minds of the public who listen."

There is concern in Lebanon that, despite the refusal of the recent proposal, Israel may conduct a sudden and uncoordinated unilateral withdrawal.

This could lead to bloodshed similar to that in 1984 when Israeli forces, following their invasion in 1982, withdrew from Beirut. This allowed Syria's leftist and Moslem allies to crush their Christian adversaries.

Crime prompts global toy boom

By Alice Rawsthorn

Rising crime, which prompts children to play indoors rather than outdoors, and the expansion of developing economies should trigger significant growth in global toy sales until the end of the century.

A study* of the toy market published today by the Euromonitor research consultancy predicts that global sales will grow by 16 per cent from $68.01bn this year to $78.89bn in the year 2000.

Toy sales showed healthy growth during the first half of the 1990s, increasing by 31 per cent to $66.1bn in the five years to 1995. A prime catalyst was the growth of the video games sector, where sales rose by more than 60 per cent to $21bn during the same period.

However, the toy market is still dominated by the US, which accounted for $27.3bn, or 41 per cent of worldwide sales, last year, and Japan, with $10bn or 15 per cent. Germany, France and the UK represented $3.8bn, $3.4bn and $2.6bn respectively; but most other national markets were relatively small.

Toy sales are starting to take off in expanding economies, such as South Korea, Taiwan, Brazil and Argentina. These markets are still small, but local manufacturers are emerging, although piracy is a problem for video games.

Euromonitor forecasts continued growth from these countries over the next few years, which should counter the sluggish state of established markets, where sales growth will be limited by the static birth rate.

Another negative factor for toy sales is that the age at which children stop playing with toys has fallen to around 10 years old. Even video games appear to be losing popularity among teenagers.

* *The World Market for Toys & Games, Euromonitor, 60-61 Britton Street, London EC1M 5NA. £4,950.*

Aid is first victim of Burundi boycott

By Michela Wrong

East African leaders trying to stop the slaughter in Burundi are becoming aware of the hazards of imposing economic sanctions: difficult to enforce, clumsy to apply and all too liable to trigger the opposite of what was intended.

Last week's decision by seven African nations to slap a blockade on Burundi following a putsch by the army took many western countries, still making tentative overtures to new Tutsi strongman Major Pierre Buyoya, by surprise.

But if previous African experiences are anything to go by it may prove a protracted and complex exercise which could exacerbate tensions between the Tutsi-dominated army and Hutu rebels. "To be effective, sanctions have to be limited and very targeted and their effect easily measurable," said a British aid official. "We have none of that here."

The blockade has already claimed an unforeseen casualty – humanitarian aid. The United Nations yesterday appealed to Kenyan and Tanzanian authorities to let through food for 300,000 refugees after World Food Programme (WFP) trucks were stopped at the border and an aid flight refused permission to land in Kenya.

Ironically, much of this aid is destined for Hutu peasants displaced by violence in the countryside – precisely the people the East African leaders most want to help. "We still don't know if this is a mistake or not, but if sanctions include aid, then we're hitting the part of the population we most want to support," said Ms Brenda Barton, WFP spokeswoman.

Burundi's land-locked situation, its reliance on imports of fuel and its dependence on exports of coffee and tea for foreign exchange make its already crisis-hit economy far more vulnerable to a blockade than many other African nations.

But the fact that thousands of frightened Hutus continue to cross borders with Zaire and Tanzania that are notionally closed highlights how porous these frontiers really are.

The case of South Africa, in which even a universally endorsed sanctions policy proved to have loopholes, has also shown the importance of presenting a united front. With Burundi, it is already clear the sea, air, rail and road blockade imposed by first Tanzania, then Kenya and now Uganda will be pocked with holes. Major Paul Kagame, Tutsi vice-president of neighbouring Rwanda, yesterday ruled out an immediate blockade, offering an alternative, if clumsy, route to Burundi. He was promptly contradicted by the presidency.

Even if sanctions are consistently applied, conditions set by the East Africans for a lifting of the blockade are so high they may encourage a siege mentality rather than a spirit of compromise among the Tutsi elite.

Major Buyoya has been told to reverse a ban on political parties, restore the national assembly and abide by his Hutu predecessor's request for external "security assistance". That request was viewed by the Tutsis as a covert demand for foreign forces to neutralise the army and triggered last month's coup. It is unlikely to be renewed.

Awareness in Burundi that Hutu rebels based in Zaire continue to receive arms supplies will also encourage a feeling that the Tutsi community is being unfairly punished, say observers.

This can only strengthen the position of hardliners such as Colonel Jean-Baptiste Bagaza, raising the spectre of an extremist countercoup. Already the new president is looking weaker than immediately after the coup, having failed to recruit a single mainstream Hutu politician to his new cabinet.

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pidemic

surplus falls

film star dies

Crime prompts global toy boom

NEWS: WORLD TRADE

WORLD TRADE NEWS DIGEST

Toyoda and TI weigh venture

Toyoda Automatic Loom Works, a core company of the Toyota group, and Texas Instruments of the US are expected to announce a joint venture to produce advanced generation semiconductor chips in Japan for use mainly by the Toyota group of vehicle manufacturing companies.

The joint venture agreement, which was reported by the Nihon Keizai Shimbun, Japan's financial daily, was neither confirmed nor denied by Toyoda or Texas Instruments. "We have not made that announcement," Texas Instruments in Tokyo said yesterday.

However, the deal, expected to result in a semiconductor manufacturing facility to produce advanced 256-megabit dynamic random access memory chips from 1999, would benefit both companies. TI, which has successfully built a number of partnerships in semiconductor production, would benefit from the Toyota group's substantial financial resources while the Toyota group could use its surplus funds to move into a new business which could provide it with future growth. A new semiconductor facility is believed to cost between $1bn to $1.5bn to build. *Michiyo Nakamoto, Tokyo*

Manila cement plant setback

The Philippine government yesterday refused to issue a licence for a $600m cement plant north of Manila on ecological grounds.

The decision to reject the plant, a joint venture between Marubeni of Japan and Tuntex of Taiwan, is the latest in a series of recent decisions by the government heralding a much stricter interpretation of the country's existing environmental regulations. Officials said the plant, with a capacity of 3.2m tonnes of cement a year, would have damaged local marine and eco-systems even though it had planned to install the most up-to-date "dry process" technology.

Mr Victor Ramos, who has been credited with initiating the government's stronger environmental line since his appointment as secretary of state for the environment 12 months ago, said that Marubeni and Tuntex would be permitted to look for a site elsewhere in the Philippines.

Government officials are also preparing an assessment of a proposed $500m cement plant in Palawan, the country's westernmost island. If accepted, the consortium, led by Fenway Resources of Canada, would invest in doubling the island's meagre power capacity and provide over 1,000 jobs. *Edward Luce, Manila*

Saudi-Japan loan accord

Saudi Methanol Company (AR-Razi), a joint venture affiliate of Saudi Basic Industries Corporation (Sabic) and a consortium of Japanese companies, yesterday signed a $160m loan agreement with the Export-Import Bank of Japan (Jexim) to finance its expansion programme.

The loan will fund the construction of an 850,000 metric tonnes a year (mt/y) chemical grade methanol plant at the AR-Razi complex in Al-Jubail Industrial City. Ar-Razi is the largest single complex chemical grade methanol producer in the world, with its existing two plants producing 1.4m tonnes a year. AR-Razi signed a construction, engineering and procurement contract with Mitsubishi Heavy Industries of Japan last April for the new plant. The new plant will also use Mitsubishi Gas Chemical Company's production technology and is scheduled to come on stream in mid-1997. AR-Razi's methanol is currently exported to Japan, the US, Europe, and south-east Asian countries. *Sean Evers, Cairo*

Antagonists queue for WTO judgment

Frances Williams on a vote of confidence in the trade body's capacity to settle disputes

Japan's complaint against Brazil's import regime for cars, lodged with the World Trade Organisation last week, was the 51st trade squabble to be brought to the WTO for arbitration since its creation in January last year.

The number of WTO disputes – there have been 26 filed since the beginning of this year – compares with 196 cases handled by its predecessor, the General Agreement on Tariffs and Trade, over nearly half a century. This represents an important vote of confidence in the WTO's strengthened dispute settlement procedures.

From the outset the system for handling disputes has been seen as critical to the new organisation's credibility as a world trade policeman. Though some key provisions have yet to be tested, the general verdict after 18 months is that the system is working as intended.

Countries can no longer block the establishment of panels or ignore their findings as they could under Gatt. They may appeal against a panel ruling but the decision of the appeal body is final. Every stage of the process is subject to strict time limits and countries that refuse to comply with WTO judgments face authorised trade sanctions.

The top four traders – the US, EU, Japan and Canada – continue to dominate the dispute settlement process, with one or more involved in 43 cases as either a complainant or a defendant. But, encouraged by the nature of the WTO system, including the right of redress, developing countries are making much more use of dispute settlement procedures than they did under Gatt. They have launched 21 complaints, including six against the US and six against the EU, as well as several among themselves.

Another factor encouraging WTO complaints has been the organisation's more comprehensive remit. New or clearer rules on agriculture, food safety, textiles, intellectual property and services have already produced a number of complaints that could not have been handled by Gatt. Moreover, all the WTO's 123 members are now covered by rules on anti-dumping actions and subsidies, previously confined to voluntary Gatt codes.

The backing of the leading trade powers has also been crucial. There were fears initially that the US, in particular, might undermine the system by continuing to rely on unilateral trade measures when it suited, or by refusing to accept WTO verdicts.

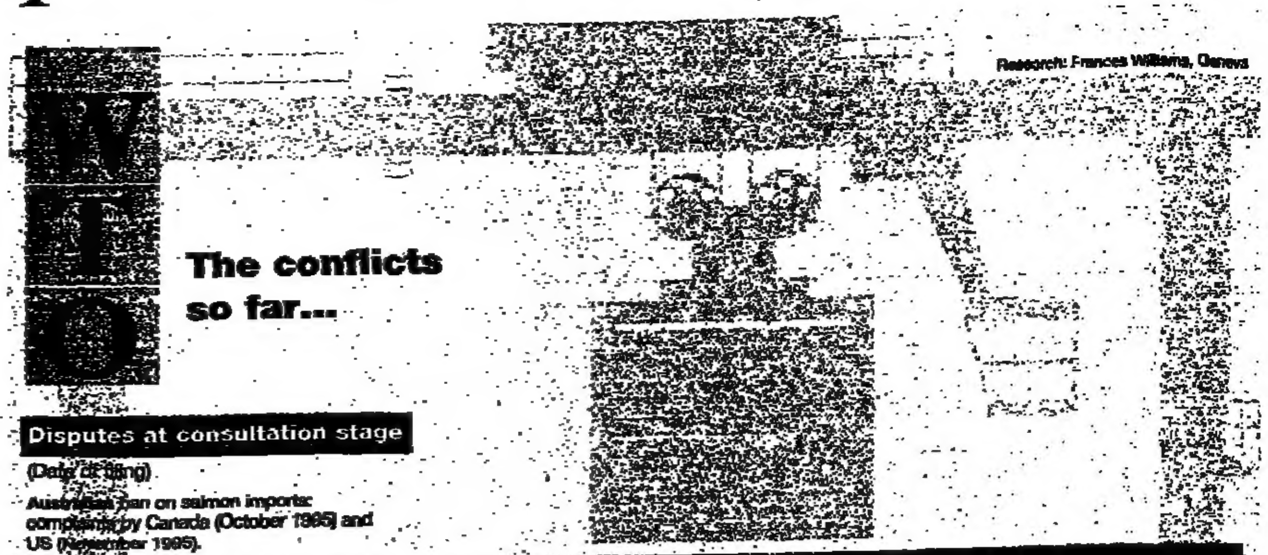
These fears were reinforced when Washington last year refused to bring to the WTO its row with Japan over imports of cars and car parts, which was eventually settled bilaterally. Since then, however, the US has gone largely by the multilateral book. In June Washington filed a WTO complaint against Japan over restrictions in the Japanese photo-film market.

The US has in fact been the biggest user of the WTO dispute settlement system, bringing 18 complaints on everything from food inspection procedures in South Korea to taxation of foreign film revenues in Turkey.

It has also been a surprisingly sporting loser, agreeing without fuss to implement a judgment against it on discriminatory anti-pollution regulations for petrol imports after an unsuccessful appeal.

In a dispute with India over textile import quotas, the US rescinded the quotas before a panel could start work. And last month Washington pre-empted establishment of a panel by revoking punitive tariffs on EU food and drink exports imposed in 1988 in retaliation for the EU's ban on hormone-treated meat.

The move makes unnecessary a WTO challenge to unilateral trade action under Section 301 of US trade law, which the US would almost certainly lose, but also reflects US confidence that its WTO complaint against the EU's hormone ban will be upheld when the panel reports later this year.



Research: Frances Williams, Geneva

The conflicts so far...

Disputes at consultation stage

(Date of filing)

- Australia's ban on salmon imports: complaints by Canada (October 1995) and US (November 1995).
- Turkey's textile import duties: complaints by Hong Kong (February 1996), India (March 1996) and Thailand (June 1996).
- Hungary's farm export subsidies: complaint by Argentina, Australia, Canada, New Zealand, Thailand and US (March 1996).
- Pakistan's patent rules: complaint by US (April 1996). Similar US complaint against India (July 1996).
- Portugal's patent rules: complaint by US (April 1996).
- US legislation tightening economic embargo on Cuba: complaint by EU (May 1996).
- South Korean telecoms procurement: complaint by EU (May 1996).
- South Korean inspection procedures for agricultural products: complaint by US (May 1996; earlier complaint filed April 1995).
- Lack of Japanese copyright protection for pre-1971 sound recordings: complaint by EU (May 1996; earlier complaints by EU and US).
- Taxation of foreign film revenues: complaint by US (June 1996).
- Restrictions in Japanese photo-film market: complaint by US (June 1996).
- Japan's retail distribution system: complaint by US (June 1996).
- Brazil's export subsidies for aircraft: complaint by Canada (June 1996).
- US anti-dumping probe on tomatoes: complaint by Mexico (July 1996).
- Brazil's car import regime: complaint by Japan (July 1996).

Panel investigations under way

(Date established)

- Japanese liquor taxes: complaint by EU, Canada and US (October 1995). Panel report upholding complaint completed June 1996.
- Brazil's anti-subsidy duties on desiccated coconut: complaint by the Philippines (March 1996). Sri Lanka filed separate complaint (February 1996).
- US import quotas on underwear: complaint by Costa Rica (March 1996).
- US import quotas on wool shirts and blouses: complaint by India (April 1996).
- EU banana import regime: complaint by Guatemala, Ecuador, Honduras, Mexico and US (May 1996). An earlier complaint was filed in September 1995.
- EU ban on hormone-treated beef: complaint by US (May 1996). Canada filed a separate complaint (June 1996).
- Canadian restrictions on imported magazines: complaint by US (June 1996).

Disputes settled

- US pollution standards for petrol: complaints by Venezuela and Brazil upheld on appeal.
- Malaysian restrictions on petrochemical imports: complaint by Singapore withdrawn after measures rescinded.
- South Korea's rules on shelf-life for food products: complaint by US withdrawn after settlement.
- Japanese telecoms procurement: complaint by EU suspended. Threat of US punitive sanctions: complaint by Japan withdrawn after car dispute settled.
- EU labelling regulations for scallops: settlement reached with Canada, Peru and Chile after panel upheld their complaints.
- EU duties on cereal imports: complaints by Canada, US, Thailand and Uruguay suspended after settlement.
- Poland's car import regime: complaint by India withdrawn after settlement.
- South Korea's rules on bottled water: complaint by Canada withdrawn after settlement.
- Venezuelan anti-dumping probe on tubular goods: complaint by Mexico suspended after settlement.
- US import quotas on women's and girls' wool coats: complaint by India withdrawn after quotas rescinded.
- US punitive tariffs in beef hormone dispute: complaint by EU suspended after tariffs repealed.

A feature of the WTO's dispute mechanism has been success in encouraging settlement of trade arguments at an early stage. Nine cases have been formally withdrawn, and a few others have been settled "out of court". In most of these the dispute was resolved during the 60-day consultation period, though the EU waited for an unfavourable panel report on its labelling regulations for scallops before coming to a deal with Canada, Peru and Chile.

Seven cases are currently being examined by panels while three complaints against Japan's discriminatory liquor taxes were upheld by a panel that reported in June. Japan is considering an appeal. Thirty more disputes are in the consultation phase. Pitfalls remain. There are fears that too many cases could overload the system, especially at the appeals stage. There is also concern over compliance. Rules on the implementation period are vague, specifying only that countries should implement WTO judgments within a "reasonable period of time".

The system has also yet to confront the more politically sensitive disputes. The first test is likely to be the expected panel ruling against the EU's hormone ban, where Brussels may try to offer compensation to the US and others rather than lift the prohibition.

The EU's complaint against the new US law penalising foreign investors in Cuba could prove even more controversial. The EU has hesitated to push the dispute to a panel because success is by no means assured, with the US planning to invoke the broad "national security" exception in WTO rules.

But another reason for that hesitation is the fear of winning and the damage that could be inflicted on the WTO's credibility if – as seems all too probable – the US refused to comply with the judgment.

Toyota to build $150m plant in Brazil

By Michiyo Nakamoto in Tokyo and Jonathan Wheatley in São Paulo

Toyota, Japan's largest carmaker, is to invest $150m in a new production facility in Brazil despite a continuing row between the two countries over Brazil's car policy.

Japan claims the policy breaches international trade rules and Tokyo has filed a complaint against Brazil with the World Trade Organisation contending that the policy favours vehicle manufacturers based in Brazil over those which do not have manufacturing facilities there.

Toyota said yesterday its decision to manufacture in Brazil stemmed from market conditions and growth prospects, rather than the Brazilian government's recently adopted car trade policy.

The new facility, which will be Toyota's second in Brazil, will be located in São Paulo and will produce the Corolla medium-sized passenger car from the end of 1998. Initial production capacity will be 15,000 units per year but is expected to increase with the development of the regional car market, Toyota said.

Under Brazil's policy, manufacturers with local content of over 60 per cent and which balance exports of vehicles with imports of parts, will be able to reduce tariffs on finished vehicles from as much as 70 per cent to 35 per cent. Japanese trade and industry officials say the policy benefits US manufacturers which have been based in Brazil for many years but discriminates against Japanese companies, most of which do not have manufacturing operations there.

Toyota is the only Japanese vehicle maker operating in Brazil, producing small numbers of its Bandeirante utility vehicle at a plant near São Paulo. Late last year, just weeks before the Brazilian government unveiled its new policy, Honda announced that it would start manufacturing passenger cars in Brazil from 1997.

Neither Toyota nor Honda will be able to take advantage of the new policy. Local content for Brazilian-made Corollas will initially be just 45 per cent and the company does not plan to export the cars right away. Honda also expects it will take some time before its facility can meet the Brazilian government's requirements to qualify for preferential tariffs.

Nevertheless, the prospects for growth in the Brazilian car market encouraged both companies to invest in Brazil. At the same time, saturation of the Japanese market, where Toyota has seen its market share slip recently, has forced the leading carmaker to expand more aggressively overseas, particularly in developing markets where the prospects for growth are better.

Toyota's market share in Brazil has been limited, with sales last year totalling 12,879 units in an overall market of 1.73m units. In the first half of this year, its sales in Brazil plummetted 73 per cent to 2,460 units due to the impact of the Brazilian government's trade policy, Toyota said.

Chrysler considers Philippine base

By Edward Luce in Manila

Chrysler, the US car manufacturer, is considering the Philippines among other possible sites for a $500m-$750m car assembly and components plant which would act as a base for exports to south-east Asia, according to Philippine officials.

The Philippine government, which earlier this year suffered a setback when General Motors of the US opted for Thailand instead of the Philippines for a $750m plant, said Chrysler executives had recently visited Manila to discuss the possibility with senior ministers.

The Detroit-based company, which already assembles cars in Thailand and distributes Jeep Cherokee and Dodge Caravan models in the region, would assemble estate cars for export. Ministers said Chrysler was also studying the viability of opening a new plant in Thailand, the largest base for foreign car assemblers in south-east Asia.

"It is very early days for Chrysler at the moment but we are keen to become a regional car manufacturing base and have not allowed the General Motors decision to dishearten us," said Mr Melito Salazar, under-secretary of trade and industry. "We have told Chrysler that the incentives we offered to GM are available to all potential investors."

The list of incentives offered by Manila to GM, which, owing to their generosity, sparked some controversy in the Philippines, included a four- to six-year income tax holiday, rent-free land for five years, unspecified government investment in road infrastructure and a $30m subsidy for training.

The Philippine government is also negotiating with the Manila-based Asian Institute of Management to set up a vehicle management training school designed to aid potential investors.

Manila is offering the same generous incentives as were extended to GM

General Motors, which said it chose Thailand over the Philippines because of its superior infrastructure and car manufacturing skills base, has also pledged to invest in smaller vehicle components plants in the Philippines over the next 12 months. Officials say Ford of the US is also looking at possible sites in the Philippines.

The Philippine market, with 152,000 vehicle sales last year, is less than one-third the size of that in Thailand.

Four Japanese companies, Honda, Toyota, Mitsubishi and Isuzu have assembly plants in the Philippines. Proton Philippines, the local arm of the Malaysia car company, is setting up an assembly plant north of Manila with a capacity of 30,000 vehicles a year.

Renault to invest $362m in Turkey

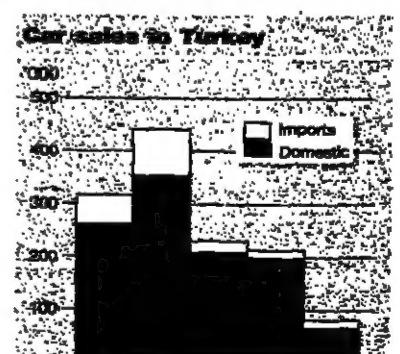
By John Barham in Ankara

Renault, France's state-owned carmaker, will invest $362m (£235m) to build its Mégane range of estate cars in Turkey. Mr Ufuk Söylemez, state minister, said Renault has applied for authorisation to make the investment which should create 1,100 jobs and described it as the biggest investment in Turkey since the customs union with the European Union in January.

Renault, Turkey's second manufacturer, holds about one-third of the market, after Tofas, an affiliate of Italy's Fiat. Both companies had already announced large investment programmes to introduce new models, modernise their Turkish factories and increase capacity.

Renault's decision to invest is an important gesture of confidence in Turkey, following the appointment in June of an Islamist-led coalition government. Mr Jacques Chauvet, Renault general manager, warned recently of the importance of maintaining "stability of the rules of the game. You need some visibility when you invest hundreds of millions of dollars."

He and other local car industry executives have watched with unease the rising investment by Asian competitors in Turkey. Toyota began producing Corollas in 1994. Honda is to begin making 30,000 Civics a year. Mazda is reportedly seeking a Turkish partner. Suzuki plans a $100m light commercial vehicle plant for 1997. South Korean companies are also considering investing in Turkey.



Mr Chauvet said: "We are not afraid of competition, but it must be fair". He complained of alleged pressure by Japan and South Korea on Turkey to waive tax, import duties and local content rules. Customs union has made Turkey an attractive manufacturing base with free access to the EU and low wage costs. Companies can only export to EU markets after attaining minimum local content levels.

Analysts say production capacity could rise nearly two-thirds to 800,000 units a year if all planned investments proceed. Domestic sales have slumped to 200,000 units annually, with exports accounting for a small but rising proportion of output. Executives believe the downturn is temporary, caused by political uncertainty and a volatile economy.

Demand has halved since 1993 when Turks bought 441,600 cars, though sales did rise 11 per cent in January-May to 80,962 units.

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は日本で、売れル、売れル。オペル。

For the benefit of those whose Japanese may be less than fluent, our headline reads: "Opel sales are jumping in Japan." And they have been for the past three years. We've produced well over 100,000 Opel cars for this competitive market, one of the growing number of markets, worldwide, where we are constantly increasing the supply to meet demand.

Opel was Japan's Number One imported car brand in June, thanks to burgeoning sales of the Vectra and Corsa. For the first half of the year, Opel, and its partner in Japan, Yanase, increased new car registrations by 36%. By the year 2000 we expect to sell 80,000 cars annually in Japan, two-and-a-half times more than in 1995.

What this performance tells us is that the Japanese – probably the world's most quality conscious (and demanding) consumers – are favorably impressed by Opel products. And equally important, that our ambitious goals for Japan and the rest of the booming Asian-Pacific region are within reach.

So the next time you see an Opel headline in Japanese, Chinese, Malaysian, Indonesian or Thai, it won't all be Greek to you.

OPEL

McCANN-ERICKSON

Deterioration in public finances adds to fears that inflation target will be missed

Central bank urges interest rate rise

By Robert Chote in London

Mr Kenneth Clarke, the chancellor, will have to raise interest rates and cut government borrowing *if* he is serious about hitting his inflation target, the Bank of England warned yesterday.

In its latest quarterly Inflation Report, the Bank said Mr Clarke had only about a 40 per cent chance of hitting his inflation target in two years without a rise in interest rates. It said the odds had worsened since its last report, largely because the chancellor cut rates in June. The Bank is also worried by the deterioration in public finances revealed in the Treasury's summer forecast.

With domestic spending already accelerating, the Bank expects the pace of economic growth to rise above its long-run trend of between 2 and 2.5 per cent a year through the rest of this year and into 1997. As a result the economy's spare capacity will be eroded and inflation should rise from the middle of next year.

Mr Mervyn King, the Bank's chief economist, said the question to be asked in the coming months was no longer whether interest rates should be raised, but when. "There is certainly a case to be considered for making a rate rise sooner rather than later," Mr King argued. "The longer you leave it the more and faster you will have to raise rates later."

However, the Bank's tone alarmed business groups. The Confederation of British Industry and the British Chambers of Commerce both said it was too early to talk about pre-emptive rate increases.

The Bank's warning raises the spectre of further disagreement over interest rates between the chancellor and Mr Eddie George, the governor of the Bank. An escalating row between the two could put the pound under pressure on the foreign exchanges, but yesterday sterling strengthened on growing expectations that rates will rise by the end of the year.

Some of Mr Clarke's political allies would like to see another cut in rates to help narrow the opposition Labour party's opinion poll lead.

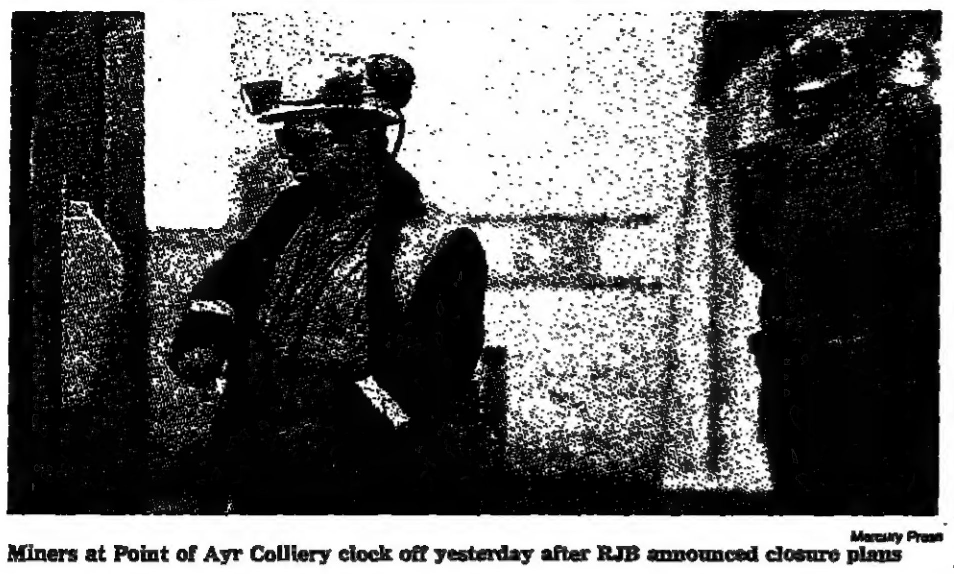
The Bank expects the underlying rate of inflation – which excludes mortgage interest payments – to fall from 2.8 per cent to 2.5 per cent or below later this year and 2.25 per cent in mid-1997.

It believes inflation may be lower if export markets remain sluggish and companies continue running down stocks of unsold goods. But inflation should then start rising as the economy gathers momentum.

Editorial Comment, Page 11
Lex, Page 12

Unions in fight to save last deep mine

By Kenneth Gooding, Mining Correspondent



Mercury Press

Miners at Point of Ayr Colliery clock off yesterday after RJB announced closure plans

Desperate efforts were being made by mining unions last night to save the last deep coal mine in north Wales.

RJB Mining, which acquired the mine from British Coal 19 months ago, said it had been approached by union representatives suggesting an employee buy-out of the Point of Ayr colliery near Talacre.

RJB told its employees that Point of Ayr had suffered losses of nearly £5m ($7.8m) since it was acquired and it must close immediately.

RJB advised the unions to be very cautious about making an offer for the mine. The company had concluded there was no prospect of Point of Ayr ever making a sustained profit. However, it said that it would be willing to accept £1.2m ($1.86m) for the mine and its equipment. The unions calculate that redundancy payments for the 200 employees at Point of Ayr would be more than twice that sum.

RJB had said it would offer employees a transfer to other collieries in the Midlands or Yorkshire or redundancy. Mr Bill Rowell, managing director of deep mines for RJB, said: "The loss-making results are a poor reward for an experienced and skilled workforce who we will be happy to assist with a move to more productive work elsewhere."

British Coal spent £4.5m in an attempt to improve the prospect of economic working at Point of Ayr.

Last year Point of Ayr's output was 313,000 tonnes of coal and another 177,000 tonnes was produced in the first seven months of 1996.

RJB planned to restore the surface site at Point of Ayr and, subject to planning consent, make it available for alternative industrial development and job creation. RJB shares closed unchanged at 510p

N Ireland city walls sealed to avoid trouble

By John Murray Brown in Dublin

The British government last night moved to head off serious sectarian unrest in Northern Ireland, sealing off a stretch of Londonderry's city walls which overlooks the Catholic Bogside area, where the protestant Apprentice Boys plan to march on Saturday.

In a move calculated to head off a confrontation between marchers and local nationalist protestors, Sir Patrick Mayhew, the Northern Ireland secretary announced that a quarter-mile section of the historic walls would be closed off from 6pm last night until the end of the month, unless a compromise is found.

"My purpose in making this order is to assist the RUC [Northern Ireland's police force] in its task of preserving public order and protecting the community in the coming days and is not intended to favour any side in the current dispute," Sir Patrick said.

Unionists accused the government of succumbing to nationalist threats.

Mr Gregory Campbell, a Democratic Unionist councillor and a member of Apprentice Boys, said: "There is no way I would recommend that we should accept this. It gives offence to no-one [to march] at 9am on a Saturday morning. If people expect us to just lie down and walk away, that is just not going to happen."

The move follows a week of unsuccessful negotiations between the Apprentice Boys and The Bogside Residents' Association, chaired by local MP Mr John Hume, the SDLP leader. It comes against a backdrop of heightened sectarian tensions following clashes last month in Portadown.

Sir Patrick said the decision was taken on the advice of the Chief Constable Sir Hugh Annesley.

Sir Hugh said he "would have had to have something like 200 officers on a 24-hour basis covering that wall".

The Association had last night still to issue any statement.

An official said: "We don't want to say anything that would inflame the situation." Nationalists still plan to march tomorrow night.

Last night, police and soldiers moved barbed wire and concrete bollards to block access to the section of the walls between Magazine Gate and Bishop Gate. The central Diamond area of the city was jammed with army lorries carrying huge breeze blocks, razor wire and scaffolding pipes.

The entrance from the commercial area of the city to the Catholic Bogside area was sealed by RUC Land Rovers. Shortly before 6pm RUC officers armed with semi-automatic rifles arrived at the city wall.

Lloyd's in discipline overhaul

By Ralph Atkins, Insurance Correspondent

Lloyd's of London yesterday responded to complaints about its disciplinary procedures by announcing a wide-ranging revamp.

New measures include a "fixed penalty" system and a new disciplinary board chaired by an outsider. Lloyd's also plans to take action in future against those who have committed offences at the market but have since left.

The reforms follow criticism last year by the House of Commons' Treasury committee and were described by Lloyd's as "the most far-reaching" overhaul since the 1982 Lloyd's Act.

Mr David Rowland, Lloyd's chairman, said: "We have been criticised in the past for the slowness of our disciplinary procedures. This new regime will be more comprehensive in its scope and swifter."

The latest changes follow the announcement earlier this year of a scheme for the compulsory individual registration of market practitioners, which is expected to lead to a significant number of exclusions from the 300-year old insurance market.

Lloyd's aim is to move to a system more akin to those of other City regulators. The objective of recent reforms is to improve standards.

Yesterday's changes widen the number of offences which could lead to disciplinary proceedings. There will also be more scope for "out-of-court" settlements. For less serious offences there will be summary proceedings based on written evidence and submission. In addition, there will be a "fixed penalty" system comparable to the system for motoring offences.

Landowners seek EU aid for grouse moors

By James Buxton in Edinburgh

Scottish landowners yesterday urged the European Union to give financial help to operators of grouse moors. They brandished figures which showed the disastrous economics of running these traditional playgrounds of the rich.

Because of several poor years for grouse, Scottish grouse moors lost an estimated £10.6m ($16.53m) in 1994 (the latest date for which figures are available) on turnover of only £3m. The lack of birds meant a fall in revenue from charging people for grouse shooting, with many moors having no days of paid shooting in 1994. Expenditure by grouse moors, primarily on staff, rose 44 per cent from £9.5m to £13.7m between 1989 and 1994.

Mr Graeme Gordon, convener of the Scottish Landowners Federation, representing owners of 75 per cent of Scotland's privately owned land, said a study by Mr James McGilvray of the University of Strathclyde indicated that revenues from grouse shooting in Scotland declined in real terms by 60 per cent between 1989 and 1994.

Yet grouse moors bring considerable economic benefits to Scotland and make an important contribution to conservation management in the uplands, the landowners say.

The federation is lobbying for grouse moors and other sporting estates to be made eligible for EU regional development grants. Ultimately such land should be brought under a restructured Common Agricultural Policy, the federation argues.

The federation has been pressing the UK government and the European Commission to bring forms of land use other than agriculture into the Cap. This would entail a switch from subsidising livestock and crops to giving support on the basis of the acreage under management, with the aim of rewarding "responsible land use" such as forestry and conducting sporting activities.

Ironically, the plea for help for grouse moors comes on the eve of what is expected to be a good season. Grouse shooting begins next Monday, the so-called "glorious 12th" of August.

The Game Conservancy, a research organisation, said yesterday that grouse numbers in northern England and Scotland are up on recent years. But in many places they are still below the levels of the mid-1970s, because of changes in land use, predators and disease.

"Grouse shooting has its detractors," Mr Gordon acknowledged, but it was part of Scotland's heritage, generated high levels of investment and remained an important source of rural employment, in spite of a decline in full-time jobs.

Car sales figures fuel optimism

By John Griffiths

Registrations of new cars jumped by 17 per cent year-on-year in July, further boosting hopes of 2m-plus sales this year for the first time since 1990.

UK makers were, however, less pleased by import statistics published this week. Imports accounted for 64.4 per cent of the July market, up from 62.5 per cent, a year ago, and for 61.8 per cent in the first seven months (59.5 per cent).

The registration figures issued, however, conveyed more a mood of optimism than a significant contribution to sales figures. The July market is traditionally small because most buyers prefer to wait for August and the introduction of the annual registration prefix. Thus the 39,150 registrations recorded in July – up from 33,459 in the same period last year – may represent less than 2 per cent of the full year's figures.

"The real strength of demand will be shown this month, which normally accounts for 25 per cent of annual sales and 30 per cent of retail sales," said Mr Ernie Thompson, chief executive of the Society of Motor Manufacturers and Traders, which released the figures.

UK NEW CAR REGISTRATIONS – JANUARY-JULY 1996

	July 1996			July 95	January-July 1996			Jan-Jul 95
	Volume	Change%	Share%	Share%	Volume	Change%	Share%	Share%
Total market	39,150	+17.0	100.0	100.0	1,039,768	+5.5	100.0	100.0
UK produced	13,945	+11.0	35.6	37.5	397,695	-0.3	38.3	40.5
Imports	25,205	+20.5	64.4	62.5	642,073	+9.5	61.8	59.5
Japanese makes	4,229	+19.6	10.8	10.6	134,442	+12.5	12.9	12.1
Ford group	5,809	-24.3	14.8	22.9	217,748	-0.8	20.9	22.3
– Ford	5,699	-24.7	14.6	22.8	213,768	-12.8	20.6	21.9
– Jaguar	110	+4.8	0.3	0.3	3,980	-10.3	0.4	0.5
General Motors	5,494	+11.5	14.0	14.7	159,742	-0.8	15.4	16.3
– Vauxhall	5,241	+8.5	13.4	14.4	152,138	-1.71	14.6	15.7
– Saab*	253	+183.5	0.7	0.3	7,604	+29.6	0.7	0.6
BMW group	6,155	+45.5	15.7	12.6	140,824	+0.9	13.5	14.2
– BMW	605	+70.4	1.6	1.1	28,520	+4.8	2.7	2.8
– Rover**	5,550	+43.3	11.6	10.8	112,304	-0.1	10.8	11.4
Peugeot group	4,299	+32.8	11.0	8.7	117,214	+2.8	11.3	12.0
– Peugeot	3,184	+40.0	8.1	6.9	80,082	+6.5	7.7	7.5
– Citroen	1,115	+17.7	2.9	2.9	37,132	-4.3	3.6	3.9
Volkswagen group	4,739	+91.8	12.1	7.4	84,995	+34.5	8.2	[illegible]
– Volkswagen	3,502	+130.4	9.0	4.5	56,209	+42.5	5.4	4.0
– Audi	469	+21.2	1.2	1.2	15,398	+35.5	1.5	1.2
– SEAT	364	+44.4	0.9	0.8	7,294	+33.5	0.7	0.6
– Skoda†	404	+29.5	1.0	0.9	6,034	-11.7	0.6	0.7
Renault	1,835	-0.7	4.7	5.5	66,595	+5.5	6.4	6.4
Nissan	2,002	+14.5	5.1	5.2	47,986	-5.1	4.6	4.9
Toyota	734	+9.9	1.9	2.0	29,232	+9.5	2.8	2.7
Fiat group	2,766	+17.9	7.1	7.0	46,120	+26.8	4.4	3.6
– Fiat	2,619	+14.5	6.7	6.9	43,677	+18.3	4.2	3.8
– Alfa Romeo	147	+149.2	0.4	0.2	2,443	+97.2	0.2	0.1
Volvo	543	-0.9	1.4	1.5	15,986	-28.3	1.5	2.4
Mercedes-Benz	790	+89.0	2.0	1.3	18,538	+11.0	1.8	1.7
Honda	587	+23.8	1.5	1.4	25,372	+14.5	2.4	2.2
Mazda	249	+18.0	0.6	0.6	11,391	+39.0	1.1	0.8
Korean makes	1,830	+8.5	4.7	5.0	22,832	+62.8	2.2	1.5

*GM holds 50% of Saab Automobile and has management control. **Includes Range Rover/Discovery. †VW holds 70% of Skoda and has management control.
Source: Society of Motor Manufacturers and Traders

Dealers and carmakers were further encouraged by registrations to private buyers being some 20 per cent higher than a year ago. The trade is increasingly optimistic that returning consumer confidence will nudge August registrations close to 500,000. Total registrations for the first seven months of the year reached 1,039,768 – 5.5 per cent up on the same period last year. An extra incentive to buy in early August is being provided by price increase plans announced by some carmakers. Ford's average 1.8 per cent rise will apply from August 12 for example.

UK NEWS DIGEST

Electricity rules tightened

The electricity regulator yesterday revealed plans to take sweeping new powers to ensure that electricity companies do not hold up the proposed liberalisation of the consumer market in 1998.

Professor Stephen Littlechild was reacting to claims that some power companies may deliberately be trying to delay arrangements for April 1998 in the hope of postponing the advent of full-blown competition.

He was also responding to criticism from electricity companies that he has so far failed to give the industry the necessary leadership in preparing for 1998.

Mr Littlechild's proposed measures are contained in the draft licences and codes for the industry which he published yesterday after weeks of consultation based on previous drafts published in April. *Stefan Wagstyl, London*

■ ETHNIC MINORITIES

British society 'is diversifying'

If you were a 22-year-old woman of Bangladeshi origin living in Britain you would probably be married already, but if you were of Caribbean descent you would almost certainly not. Either way, the odds are you would both be gazing enviously from your council house at the family of Indian origin across the road doing up their newly purchased house.

If you were black, you should also consider putting an extra lock on the door before you leave because it would be twice as likely your residence would be burgled before you returned. Vehicle theft is less of a problem, because unlike most whites, and those of Asian and Chinese origin, you would probably not own a car.

The report, published yesterday by the Office of National Statistics makes clear that minorities are increasing not only in size but also diversity as they become a more integral part of British society. Britain currently has 3.2m inhabitants from ethnic minorities. *Marks Suzman, London*

■ RAIL PRIVATISATION

French set for second franchise

CGEA, a subsidiary of France's Compagnie Générale des Eaux conglomerate, is set to win its second franchise to operate a British train operating company after emerging as the preferred bidder for the South Eastern franchise.

South Eastern, which operates services to Kent, Surrey and Sussex from six large London stations, is one of the biggest operating companies to be franchised so far from the former state-owned British Rail and takes to nine the number of franchises awarded. South Eastern employs more than 4,000 staff and had passenger revenues of £315 million in 1994-95. The likely award gives CGEA two contiguous franchises serving London and the south-east, although the rules state that they must be run separately. *Haig Simonian, London*

■ TUBE STRIKE

'Capital's reputation damaged'

Yesterday's 24-hour Tube strike brought almost a total shutdown of the underground system and heavy traffic congestion to London.

With no sign of any progress in resolving the Tube dispute, Mr Brian Mawhinney, the Conservative party chairman, said the drivers were "trying to hold London to ransom" but he added they would not succeed. He warned they were also damaging London's reputation as an international finance, business and tourist centre. The next 24-hour stoppage on London Tubes is scheduled for next Tuesday, August 13.

Each day's disruption is estimated to be costing London Underground alone £2.5m ($3.9m). *Robert Taylor, London*

■ LONG-TERM CARE

Government plans 'alarmist'

A parliamentary committee yesterday dismissed talk of a crisis in long-term care funding as "alarmist" and attacked government proposals to develop partnership schemes in long-term care insurance for not being properly costed.

The findings are a blow to the government, which has announced plans to introduce insurance schemes allowing individuals to protect a portion of their assets if they take out insurance. *Mark Suzman, London*

■ GUERNSEY

Queen may be court defendant

Guernsey's Royal Court will decide on Friday whether Queen Elizabeth can become a defendant in an action brought by Britain's wealthiest twins, Mr David and Mr Frederick Barclay.

The brothers, former painters and decorators whose personal fortune is now estimated to be at least £650m, have just moved into their new home – a Gothic-style castle on the tiny Channel Island of Brecqhou. In a complex case concerning land ownership, the brothers are questioning the payment of feudal dues to the Queen for the purchase of the castle. *Phillip Jeune, Jersey*

■ GAS

Progress on 'take-or-pay' dispute

The first signs of progress are appearing in the bitter, £40bn "take-or-pay" contract battle between British Gas and some of the largest North Sea oil and gas producers. One big producer yesterday characterised the latest round of talks as "encouraging," and said that contacts between the two sides were being stepped up. But he denied that a deal had already been done.

British Gas is thought to be particularly keen to complete deals with some of its main suppliers, such as British Petroleum and Shell. British Gas claims that the high-priced life of field contracts are a legacy of the monopoly era, and put it at a severe disadvantage in Britain's new competitive gas market. *Robert Corzine, London*

Small companies fight shy of corporate codes

Research by voting agency reveals serious breaches of Cadbury and Greenbury directives

Mr Ronald Pratt joined William Cook, the castings manufacturer, in 1949 and became a director in 1955. He now sits as one of two non-executive directors at the publicly quoted Sheffield-based company, the other being Mr Ian Porter.

Mr Pratt and Mr Porter, unlike non-executives at most public companies, do not sit on William Cook's audit committee. That is because the company does not have one. Nor does it have a separate remuneration committee to set executive directors' pay – the whole board takes the decisions.

The company's structure is such that it is committing serious breaches of the Cadbury and Greenbury committee reports, the two main corporate governance rule books.

However, research carried out during the recent agm season by Manifest, the new proxy voting agency, shows that William Cook is not alone. Several smaller public companies are failing to comply with even the basic elements of the Cadbury and Greenbury committee reports.

At William Cook, Mr Pratt's long association with the company leads Manifest to doubt whether it complies with Cadbury's recommendation that the majority of non-executives on a board should be "independent of management".

Manifest also states that William Cook's failure to set up an audit committee is a "blatant breach" of the Cadbury code, and the fact that its remuneration committee consists of the entire board rather than just non-executive directors is a breach of the Greenbury code.

The company's annual report says the Cadbury code is not mandatory and a responsible board should not "blindly follow rules which may be inappropriate and not of benefit to the company".

Mr Andrew Cook, chairman and chief executive, said yesterday: "Breach is an inappropriate word. There are a large number of smaller companies that do not see it as relevant to their businesses to comply lock stock and barrel (with Cadbury and Greenbury)". Mr Cook also said that Mr Robert Pickford, company secretary, also acted as a non-executive director, even though he was designated in the company's accounts as an executive director.

Looking at forthcoming annual general meetings, Manifest also questions the independence of Sir John Fuller, a non-executive of Fuller Smith & Turner, the west London brewer, whose annual meeting is on August 16. Sir John has been a director of the company and is a "major shareholder", the annual report states.

Both the Cadbury and Greenbury reports, incorporated into the stock exchange rule book, called on institutional shareholders to ensure companies' compliance. However, investors have been more lenient with smaller public companies, which argue that costs prevent them from implementing all elements of the codes.

However Manifest says that "when companies drive a coach and horse through the codes shareholders may take a different view". William Cook's shareholders include Phillips & Drew Fund Management, with 21.89 per cent of the shares and Schroder Investment Management with 6.27 per cent.

William Lewis

ARTS

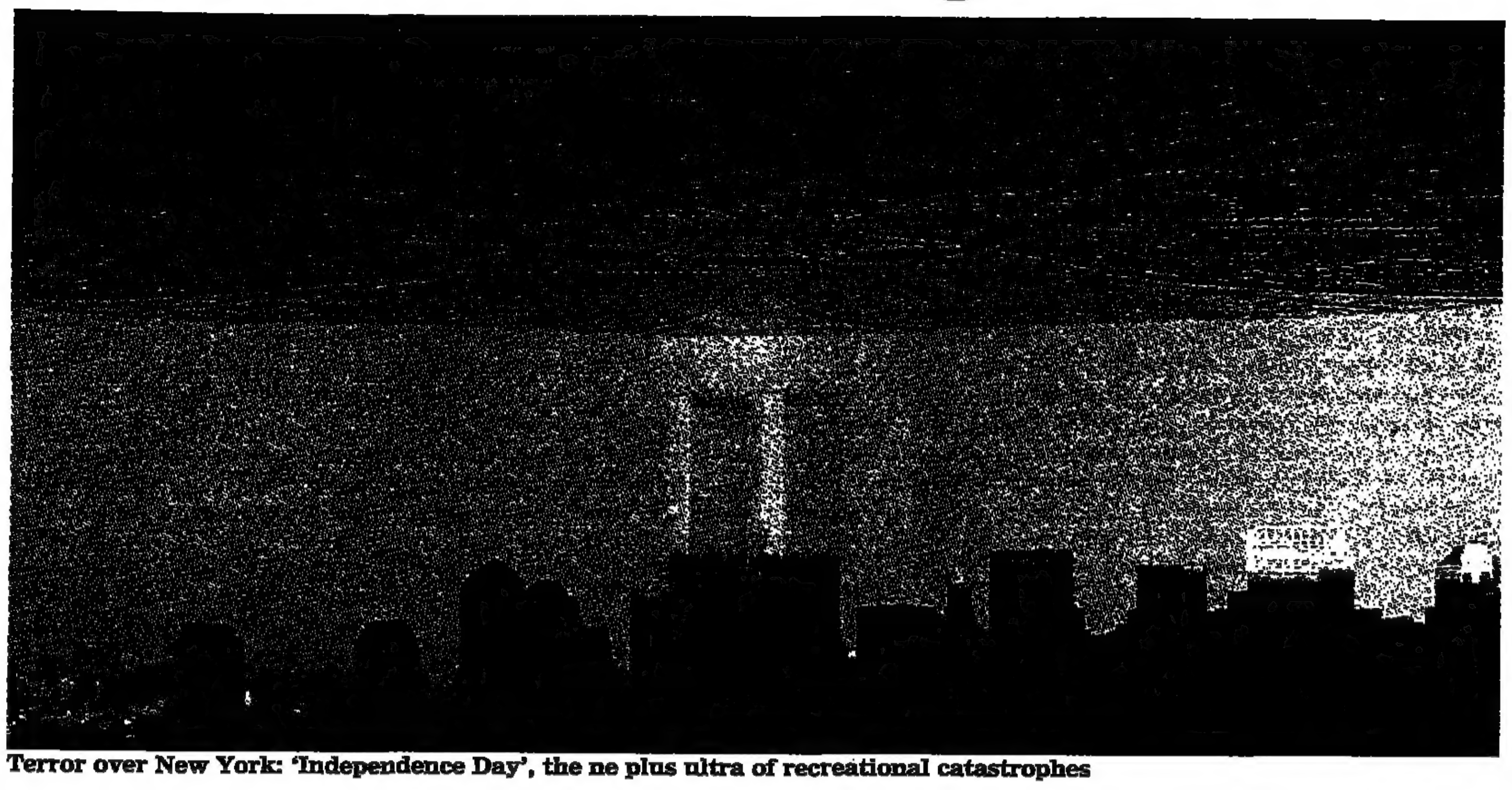
Cinema

Apocalypse of the feelgood kind

Before my eyes blurred over during the closing credits of *Independence Day* I counted roughly 100 visual effects craftsmen. Unrolling like the dead of two world wars, they are the unsung heroes of Hollywood's own newest world war, writes Nigel Andrews.

This alien invasion blockbuster has swept across the US smashing records, threatening *Jurassic Park* (all-time number one) and causing us to ask in the year of *Twister*, *Mission: Impossible* and now this, "What exactly *is* the current mental age of western filmgoers?"

Do we really all like to be terrorised, tornadoed, blown up and blown away? The question may be naive, like asking us if we like roller-coasters. But *Independence Day*, as absurd as it is energetic and inventive, is the *ne plus ultra* of recreational catastrophes. In the opening minutes it moves its city-sized flying saucers across the known world, though only America's landmarks are dwelt on as they fall into shadow: the Hollywood sign, New York, the White House, in that order of importance.



Terror over New York: 'Independence Day', the ne plus ultra of recreational catastrophes

Then it is all-out war between them and us, with global gung-ho being represented again exclusively by Americans in America. We have a manic computer boffin (Jeff Goldblum), a drunken crop duster (Randy Quaid), a black fighter pilot (Will Smith) and a President (Bill Pullman) who climbs into his own aircraft to do some last-reel zapping.

While London, Moscow and Bombay go down in sheets of unmourned flame – at least we assume they go down, we barely see anything – the USA manages to disregard the world while behaving as if it represents it. Astonishingly we non-Americans go along with it. *We* don't care about London, Moscow or Bombay. *We* shudder to our depths as the Hollywood sign falls into darkness.

That all this is directed and co-written by a German is just another tribute to Hollywood as the *omphalos* of the world. Roland Emmerich brought kindergarten cunning to *Stargate*, which used paint-by-numbers computer graphics to bring us dream images of ancient Egypt and Outer Space. Half of *Independence Day* looks digitally painted as well, but it moves so fast that we cannot count, indeed barely notice, the dots and pixels.

INDEPENDENCE DAY
Roland Emmerich

THE SECRET OF ROAN INISH
John Sayles

AUGUST
Anthony Hopkins

THE STUPIDS
John Landis

I counted 20 clear influences, from *The War Of The Worlds* to *Alien*, via *The Thing*, *Invaders From Mars* and *The Day The Earth Caught Fire*. But derivativeness bothers us no more here than anything else. *Independence Day* is a fast-moving, feelgood apocalypse in which 1bn people die, roughly counted, and we hardly notice. This is partly because the good guys are doing such a heroic job against the bad. And partly because the age of computer-guided warfare has been passed from one Nato (North Atlantic Treaty Organisation) to another (National Association of Theatre Owners), so that for everyone now the simulation techniques of military rehearsal are indistinguishable from the stimulation of actual conflict. In reel life as in real life, war is a video game.

The moralists will no doubt gird up their indignation for this latest chapter in the evolution of screen violence. But they had better hurry. The entire world will have seen *Independence Day* by the time they decide that it shouldn't.

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Last week dolphins, this week seals. And Celts. If there's something the Great British Public likes better than amiable amphibians it's garrulous Gaels, writes Martin Hoyle.

Both seals and Celts emerge a trifle over-decoratively from the mists of *The Secret of Roan Inish* with an unabashed *féerie* that would make J.M. Barrie blush. Like Mary Rose, Roan Inish is an island that likes to be visited, indeed wants to be inhabited, though John Sayles's 1994 film is set not in Scotland but post-war Ireland.

Little Fiona is sent from the grimy city back to the coast where her family were fisherfolk. Living with her grandparents, she steeps herself in local legends. From slightly daft Tadhg (John Lynch, doing his intense, melancholy turn) she hears of the ancestor who married a selkie, half-woman, half-seal. She also hears of her baby brother being swept out to sea in his boat-shaped cradle. And on the now deserted island where the family lived she sees him: a chubby, naked infant out of Mabel Lucy Atwell, playing with the seals and sailing off in his tiny craft.

The story is taken with gentle seriousness. Haskell Wexler's photography echoes the director's well-judged blend of the everyday (gutting fish, tarring boats, roof-thatching) with the element of mystery in the changing seascapes, vacillating between brumous and bright like the Celtic soul. The film's main weakness is that it presents an outsider's, a tourist's, view of Hibernian fantasy. But then all fantasy is tourist country.

The film is beautifully acted. Eileen Colgan and Mick Lally are the grandparents, and the children are outstanding: Jeni Courtney and Richard Sheridan as Fiona and her cousin – a mixture of the practical and the fey, like the tale itself.

•

Sir Anthony Hopkins reverts to his Celtic roots for his debut as film director. Nothing fey about the plot of *August*: crumbling country estate kept going for absentee owner, a self-important academic, by slightly bibulous brother-in-law nearing embittered middle-age and plain, pining daughter. Other characters include an idealistic local doctor and the academic's glamorous second wife . . . Yes, this is *Uncle Vanya*, Chekhov translated to Caernarvonshire.

Convincingly, too, with the hooter and explosions of a nearby quarry providing reminders of the ruthless world outside. The film was shot on location, before (a reversal of the usual process) a stage production with the same principals. It makes a handsome and distinguished, though I suspect some will say too theatrical, debut for Hopkins.

The film is unfailingly good to look at. Robin Vidgeon's photography is as evocative when capturing dusty sunbeams slanting through cluttered interiors as in the perpetual teatime of the garden; but with a solid reality that transcends the self-conscious period picture-postcard feel of Merchant-Ivory.

Hopkins marshals his cast with a feeling for operatic ensemble: the fumbled shooting when Ieuan (*vice* Vanya) goes berserk and throws the household into a panic is played for the laughs that usually get overlooked in Chekhov: a romping Rossini Act 1 finale. Moments of overlapping speech and calculated groupings aspire to opera's gift for the simultaneous expression of different emotions. Not all of it comes off; but the film is engrossing.

Hopkins is Ieuan, less overblown than he can be on stage, restrained in his mixture of clowning and eruptive frustration. The cast rises to the Chekhovian challenge of thumbnail autobiographies. Especially notable is Gawn Grainger's doctor, resembling a better-nourished Robert Louis Stevenson, and newcomer Rhian Morgan, whose Welshness makes the plain Sian (Sonya), with her quiet resignation and sense of duty, touching and credible.

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The Stupids is based on a comic strip and goes for the kids in a wham-bam Mad Magazine-for-six-year-olds sort of way. Tom Arnold is the shrunk-suited Panama-hatted paterfamilias whose quest for the arch-villain Sender (as in "return to . . .") cues a guest appearance from a strawberry-blond Christopher Lee, possibly the world's best-known Old Etonian.

The rest – including a wacky singalong on a TV personal problem show and illicit arms dealing – touches manic surrealism so often that after stony-faced disbelief you find yourself cackling incredulously.

Theatre/**Alastair Macaulay**

Spontaneous fascination

In a production of *Hedda Gabler* where nothing is less than good, Harriet Walter's performance of the title role is more or less ideal. A fascinating actress, she expresses Hedda's self-destroying ironies and contradictions in myriad details. Arrogant/cowardly, artful/impulsive, irrepressible/guarded, conventional/faithless, theatrical/bored, grand/petty: oh, she is all of these, and more. Just see the bitter half-smile – gratified and frustrated in the same instant – that passes across her features as she hears that her husband Tesman's predicted inheritance of the local professorship will now have a challenger in the person of her ex-lover Lovborg. Just hear, when Mrs Elvsted asks "What do you really want, Hedda?", the pent-up hunger and the casual malice with which she replies, "The power to shape a human destiny".

Walter is "right" for Hedda – as she should be for Beatrice and Millamant – because she is writ right through with self-contradictions. The glamour of her looks has both softness (eyes, mouth, breasts) and hardness (cheekbones, jawbone, brow), and her gait is both erect and pliant. As for her voice, it is among the oddest since Callas. It mixes chest and head tones in an uneven scale; now it sounds bottled up, constricted, now it tingles in the very front of her face; it is sweet and sour, defensive and vulnerable.

Every aspect of this interpretation leads you back to the role and to the play. Because of her contradictions, Hedda is an exceptionally easy role to misjudge. She has guts in trivial ways, but none in big ways; and she misapplies her considerable intelligence. No doll, she chooses to live in a doll's house; she rejects the "Kinder, Kirche, Kuche" credo of typical 19th century womanhood, but knows no alternative way of fulfilling herself; and, as for living through others, she lacks the generosity or the selflessness. She is revolted by the dying, but she finds a morbid perverted-Romantic appeal in the idea of "a beautiful death"; and the final irony of the play is that, when she finally kills herself in just this fashion, nobody finds beauty or glory in her action. All of which, here, falls into place.

The strangest interpretation in the play is David Threlfall's muted, burnt-out Eilert Lovborg, but, like everything here, it works. Peter Blythe, replacing Roy Marsden, makes Judge Brack, surprisingly but tellingly, feline. Nicholas Le Provost as Hedda's husband Tesman is almost John-Cleese-like in his earnest and feckless ways. The warmhearted, tender, fretful solicitude that Phyllida Law brings to Aunt Julia is perfection; I love the anxious glance she gives to her own hat while talking to her nephew of something else. She in her way and Jenny Quayle's equally fine Mrs Elvsted in hers exemplify kinds of womanhood that Hedda rejects.

Isabella Bywater has not only designed a completely believable interior, she has also managed to make the oddest small points come off. You feel that Hedda's grand piano is out of place in this room before she says so. And as you see Mrs Elvsted's curly, bushy hair, you know at once why Hedda has longed to pluck it out.

The production employs a very free version of the Ibsen play by Helen Cooper (who, if memory serves, once acted in a fine chamber-scale *Hedda* at the Almeida in the early 1980s). But, though she takes liberties and misses a few nuances, this text has the right freshness and transparency, so that the only feature of the characters' locution that draws attention to itself is their abundance of metaphor.

Lindy Davies, directing, has elicited from the whole cast a very unusual spontaneity of contrasting dynamics (a spontaneity that is, fascinatingly, the precise opposite of what she elicited from her cast, Walter included, in last year's West End production of Pinter's *Old Times*), so that characters sometimes start to overlap as they speak lines. This is finely enough judged never to become irritating. Instead, it keeps making us believe that these characters really do know each other.

At the Minerva Studio Theatre, Chichester, until August 17.

Alastair Muir

Freshness: Harriet Walter and David Threlfall

The Proms/**Richard Fairman**

Sounds of authenticity

In the early years of the Proms, Monday night was Wagner night. How fashions change: in order to get a good audience on a Monday now, the Proms know that their best bet is an evening of early music on period instruments, preferably featuring one of the leaders of the authentic movement.

On Monday this week the Royal Albert Hall was packed to the rafters for William Christie and Les Arts Florissants, as it had been the week before for Trevor Pinnock and the English Concert. It is just an irony that the very popularity of "authentic" early music these days means that it is to be found in halls which are probably 10 times the size of any authentic 18th century venue.

In Christie's case, there was the added draw that the audience was saved a journey to Aix-en-Provence. A new production of Handel's *Semele* with his group was the main attraction at the festival there this summer, indeed the only opera to be seen (Aix, like some other regional festivals in France, suffered financial cutbacks this year). By bringing it in a concert performance to the Proms, Les Arts Florissants were able to play in front of the largest audience they can ever have had.

In the last six months, London has already had two *Semeles* – one fully staged at the Royal Opera House, the other in concert at the Lufthansa Festival – and this remarkably made a third. Each has had its own personality. Among the conductors, Mackerras at Covent Garden was inevitably the heaviest with a traditional orchestra; Ivor Bolton for Lufthansa was swift, light, strictly in tempo; Christie sought out elegant dance rhythms with a distinctly Gallic gait.

It was interesting to hear an international cast in Handel instead of shuffling the regular British pack. The vibrant fast vibrato of Swedish mezzo Charlotte Hellekant's Ino, made a strange contrast with Michael Chance's plangent counter-tenor Athamas. Of the two basses, the German Reinhard Hagen was a stern Cadmus and Willard White a Somnus with a dry sense of humour. Janis Kelly laid the jokes on thickly as Iris; but the American mezzo Kathleen Kuhlmann played the more obviously comic role of Juno without the pantomime dame overtones of the other two recent performers.

The leading pair rose to the occasion. Rosemary Joshua trilled and skipped athletically up to high Ds in *Semele*'s music, mostly with pleasing brilliance. Timothy Robinson sang a fluent and lyrical "Where'er you walk". Their crucial Act 3 scene was performed in its entirety, showing Handel to be a more ambitious dramatist in this score than one might have suspected. For his part Christie may exaggerate tempos – the slow music at the end was hugely drawn out – but the death of Semele became quite moving. The large Proms audience was held in silence.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● Hae-Eun Kim and Maria Kulakowska: the cellist and pianist perform works by Boccherini and Crumb. Pianist Finghin Collins performs works by Rachmaninov, Field and Chopin; 8.30pm; Aug 9

EXHIBITION
De Nieuwe Kerk Tel: 31-20-6268168
● Palech, een Russisch sprookje: exhibition of more than 100 lacquer miniatures, created in the 19th and 20th century in the Russian village of Palech. The works on display come from the Museum for Decorative Arts in Moscow, the Museum of Palech and the Ritman collection; to Sep 22

■ CAMBRIDGE, US

EXHIBITION
Arthur M. Seckler Museum Tel: 1-617-495-9400
● The Fire of Hephaistos: Large Classical Bronzes from North American collections: this exhibition comprised of full figures and body parts concentrates upon large-scale Classical bronze statues. Executed in what is known to have been the most preferred medium for sculptors and patrons during the classical period, very few of these choice statues survive today. The display includes 52 large Greek and Roman bronzes and focuses both upon the links between ancient styles and techniques, and the new research methods that scholars are using today to study this ancient industry; to Aug 11

■ COPENHAGEN

EXHIBITION
Ny Carlsberg Glypothek Tel: 45-33 41 81 41
● Byzantium. Late Antique and Byzantine Art in Scandinavian Collections: this exhibition brings together more than 100 objects from Uppsala, Stockholm, Oslo, Helsinki, Copenhagen and Odense. The display includes late Roman imperial portraits, Coptic textiles and limestone reliefs, late Antique and Byzantine coins, pendants and manuscripts from the middle Byzantine period, and icons from the late Byzantine era; to Aug 31

■ LONDON

CONCERT
St. Martin-in-the-Fields Church Tel: 44-171-9300089
● Baroque by Candlelight: The Belmont Ensemble of London with conductor Peter Gilbert-Dyson perform works by Mozart, J.S. Bach, Vivaldi and Handel; 7.30pm; Aug 10

EXHIBITION
Barbican Art Gallery Tel: 44-171-6384141
● Eve Arnold: In Retrospect/ Derek Jarman: A Portrait: two exhibitions shown at the same time. Eve Arnold: In Retrospect covers the life's work to date of photographer Eve Arnold, who for more than four decades has served as witness through camera and words to many of the major figures and events of the latter half of the 20th century. The display includes over 200 photographs. Derek Jarman: A Portrait considers the diversity and impact of Jarman's career as an artist, film-maker, stage designer, writer, gardener and influential figure in gay politics. The exhibition features over 200 works including paintings, theatre designs, photographs, writing and his Super 8 films; to Aug 18
Design Museum Tel: 44-171-3786055
● Treasures of Fabergé: exhibition of 40 perfume flasks by the workshops of Fabergé, Imperial jeweller to the Russian court, from the collection of Meurice F. Mizzi. Approximately half the perfume bottles are made of gold, silver and translucent enamel, the other half are gems set in gold; to Aug 11

THEATRE
Barbican Theatre Tel: 44-171-6384141
● Romeo and Juliet: by Shakespeare. Directed by Adrian Noble and performed by the Royal Shakespeare Company. The cast includes Christopher Benjamin, Susan Brown, Julian Glover and Michael Gould; 7.15pm; Aug 9, 10 (also 2pm)

■ LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6000
● Designing Modernity: The Arts of Reform and Persuasion, 1885-1945: this multi-media exhibition seeks to explore western society's response and reaction to modernization, the dominant force following the industrial revolution and proceeding through the aftermath of the second world war. The display features nearly 285 objects including European and American paintings, sculpture, prints, furniture, metal work, ceramics, glass, books, toys and ephemera. Artists represented include William Morris, Frank Lloyd Wright, Peter Behrens, Hector Guimard, Mies van der Rohe, Marcel Breuer, Isamu Noguchi and Walter Dorwin Teague; to Sep 22

MUSICAL
Ahmanson Theater Tel: 1-213-972-0700
● Carousel: by Rodgers and Hammerstein. Directed by Nicholas Hytner and choreographed by Kenneth MacMillan. The cast includes Sherry D. Boone, Sarah Uriarte, Kate Buddeke, Patrick Wilson, Joseph Ricci and William Metzo; Tue-Sat 8pm, Sun 2pm, Thu, Sat also 2pm; to Aug 25 (Not Mon)

■ NEW YORK

EXHIBITION
Guggenheim Museum SoHo Tel: 1-212-423-3840
● Mediascape: the Guggenheim Museum SoHo reopens to the public with this exhibition devoted to multimedia and interactive art. It features 14 works by 10 artists, including Marie-Jo Lafontaine, Bruce Nauman, Nam June Paik and Bill Viola; to Sep 15
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Modern Glass as Art: this exhibition, selected from the Metropolitan's collection of 20th-century architecture and design, explores glass as a medium for contemporary art and includes works made by a variety of techniques manipulating the glass through blowing, casting, etching, flameworking, and stained glass; to Oct 6

■ PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● James Coleman: this exhibition shows installations of this Irish artist, and is a part of the cycle "L'Imaginaire Irlandais" that takes place in Paris from May until September; to Nov 18

■ SALZBURG

EXHIBITION
Rupertinum - Salzburger Landessammlungen Tel: 43-662-80422336
● Louise Bourgeois. Skulpturen und Objekte: exhibition devoted to the French-born American sculptor Louise Bourgeois. The display gives an overview of her work between 1946 and 1992 and features between 15 and 20 objects; to Oct 27

OPERA
Grosses Festspielhaus Tel: 43-662-80450
● Fidelio: by Beethoven. Conducted by Sir Georg Solti and performed by the Wiener Philharmoniker. Soloists include Peter Mattei, Tom Fox, Ben Heppner, Cheryl Studer, René Pape, Ruth Ziesak and Roberto Saccà. Part of the Salzburger Festspiele; 5.30pm; Aug 10

■ SANFRANCISCO

EXHIBITION
SFMOMA - Museum of Modern Art Tel: 1-415-357-4000
● Glenn Ligon: New Work: in this exhibition the African American artist shows two new series of works in tandem. A group of self-portraits as discrete canvases and pictures taken from the Million Man March in Washington last autumn create an encompassing screen of images; to Aug 25

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European Money Wheel

18.00
Financial Times Business Tonight

Peter Martin

Good relationship guide

Companies working to establish lasting rapport with their customers beyond simple transactions need to follow basic rules which reinforce quality

Mature marketing exec, successful but dissatisfied, seeks attractive consumer, footloose and fancy free. Object: lasting relationship.

You won't find this message in the lonely hearts column of your local free-sheet, but it's hard to miss it pretty much everywhere else. From baked beans to supermarkets to airlines, consumer-oriented companies have devoted much of the past decade to "relationship marketing", the attempt to build links with their customers which extend beyond simple transactions.

Some of these efforts – especially the earliest airline frequent flyer clubs – have been stunningly successful. Others have added more to costs than they have to revenues. What all those mature marketing executives hope for is the magic ingredient that distinguishes real commitment from just, well, fooling around.

As soon as a company moves its product beyond the commodity stage, of course, it has taken the first step towards building a relationship with its customers. Quality, value, attentive service – all these are traditional ways of encouraging repeat business. And the whole point of branding – ever since Bass first slapped a triangle on its bottles to create the UK's first registered trademark – has been to build lasting trust in the consumer's mind.

What's different now? Just as Stalin defined communism as socialism plus electrification, so relationship marketing is brand-building plus computerised databases. Not only do your customers trust you, but you know who they are and where they live. Straight away, you can lower the costs of advertising and increase its effectiveness. But there's more: you can offer them promotions tailored to their past buying patterns. And, most effective of all, you can redesign the product or service you offer to reward loyalty, as supermarket chains such as Tesco in Britain and Carrefour in France have shown.

But has the fad gone too far? Companies rarely admit to all-out failure in relationship marketing, and once started such schemes are hard to cancel. The rush of me-too loyalty schemes – among US telecoms operators, international airlines, or British supermarket chains – suggests, however, that some companies are paying out more to build relationships than they will ever get back in sales.

Companies thinking of trying to establish relationships need to bear in mind some simple rules.

● **Raise consumers' cost of switching.** Relationship marketing is not just about giving consumers a warm glow about your company and products. It has a more cold-blooded rationale: to make it harder for customers to choose freely between suppliers. Frequent flyer clubs achieve this aim because the miles awarded are not transferable. Passengers are unwilling to switch their preferred airlines if that means sacrificing unused miles. Similarly, pharmaceuticals wholesalers lock in drugstores as customers by providing valuable computer software. The cost of adapting to new software discourages the customers from switching.

A well-designed relationship marketing programme will seek to raise consumers' switching costs. And there's an extra bonus to any warm and fuzzy feelings the programme induces: they serve to camouflage the limitations on consumer choice that these higher switching costs impose.

● **Emphasise service.** It's not surprising that the most successful relationship programmes are in service businesses. Services tend, by nature, to be less "transactional" than manufactured goods. And many services require detailed knowledge by the provider of the circumstances of the customer. But even service businesses can improve the personalisation of their offerings; and suppliers of manufactured goods can add a service component, for example by guiding customers through a complex product range. The UK subsidiary of Heinz is seeking to build lasting relationships with baked beans consumers, by offering them a quarterly magazine and tailored promotions.

One category of manufactured goods producers, computer makers, has found that service-based relationships have turned into transactions as their products have become more reliable and standardised. IBM built much of its success – even when its main line of business was tabulating machines, not computers – on exemplary service for complex, finicky machinery. Now that computers are reliable, off-the-shelf products, it is much easier for customers to choose on price. The more reliable a product, curiously, the lower the relationship potential.

● **Don't confuse loyalty, necessity and bribery.** This point is made by James Rosenfield, a marketing consultant based in San Diego, California. Companies may think they have loyal customers, when really they have resentful captives – or mercenaries. If there is no hope of building true loyalty, then there is little point in trying, expensively, to reinforce it. It would be better to reinforce barriers to entry against rivals (for example, by lowering costs). Similarly, as Mr Rosenfield puts it, relationship programmes that rely heavily on incentives risk "substituting rewards for satisfaction." Dissatisfied customers will soon find someone else to bribe them.

By the way, dissatisfaction is almost guaranteed if the benefits you promise to loyal customers can't be provided. Getting the marketing database to work smoothly with the operations database is often the key to success with loyalty programmes – yet it is also one of the hardest things to achieve.

● **Remember: you can't escape.** Once you have created a relationship marketing programme, it's very hard to back out of it without alienating the people who are, by definition, your most valuable customers. Even relatively small scale changes – such as the expiry dates for unused miles that US airlines introduced, or British Airways' higher mileage qualifications for the upper tiers of its frequent-flyer club – risk ill-will. How much more damage would be caused, therefore, by a decision to close a programme altogether? So far, there are few signs of companies taking such a drastic step. But Mr Rosenfield, the marketing consultant, believes that some poorly thought-out schemes are starting to collapse under the weight of high costs and poor results. This will present companies with a difficult choice: to soldier on with programmes that are not working; or to close them down.

These are practical questions that affect the design and operations of loyalty schemes. But there is also a bigger question in the background, one intimately familiar to any student of human nature. "In every relationship," as the saying goes, "there is one who loves and one who is loved." Companies may believe they have a relationship with their customers; but the customers may perceive things very differently. They may not be actively seeking to move away from their usual suppliers, but they may not have any real commitment to them. The companies that have managed to make relationship marketing work usually had a head-start: strong brand images, a product with a strong service component, a long-standing emphasis on customer satisfaction. Relationship marketing can reinforce such qualities. It cannot be a substitute for them.

BOOK REVIEW · Peter Montagnon

HONG KONG – CHINA'S CHALLENGE: by Michael Yahuda
Routledge, 150pp, £37.50 (hardback) £11.50 (paperback)

China's countdown to the midnight hour

The massive clock which records the seconds remaining until Hong Kong reverts to China has become a familiar landmark in Beijing's Tiananmen Square since it was installed at the height of the controversy over the democracy proposals of Hong Kong governor Chris Patten in 1994.

Most visitors probably think of its remorseless flashing as a warning to Hong Kong of its inexorable fate, but, according to Michael Yahuda, the clock is ticking for China too.

The handover constitutes an awesome and ill-timed challenge to the mainland, he argues. It comes as China struggles to shed its authoritarian and inward-looking continental traditions and become a liberal, outward-looking maritime nation.

Hong Kong encapsulates the tensions involved, and Beijing, he suggests, is not very well prepared to deal with them. The territory's business people who rather glibly assume that Chinese money politics will see them all right after 1997 should read this book carefully.

So, too, should those in China who will be responsible for what happens after the handover. The advice it contains may be unpalatable but it is given with sympathetic understanding of the dilemma China faces.

Failure to make the "one country, two systems" principle work in Hong Kong would mean a loss of faith at home in the Chinese government's ability to continue delivering economic reform. With its authority and legitimacy weakened as a result, government would become more conservative and its relations with the outside world more truculent.

That would be a step back for China and a worry for the outside world, since it would mean a higher risk of force being used to recover Taiwan.

A flourishing Hong Kong could pose problems of a different sort. Its mere example would make it a subversive force, undermining the authority of the Communist party at home. Hong Kong would become an attractive example to mainlanders wishing to emulate its way of life, its local autonomy and freedom under the law.

Beijing wants to make the transition succeed, Yahuda suggests, but the odds are stacked against it. The handover negotiations have been dogged by misunderstandings and hampered by reaction to the Tiananmen Square massacre in 1989.

"What happens if the judges get it wrong?" asked one Chinese official in the midst of the debate over the territory's court of final appeal. By tradition, China's rulers have never left really important decisions in the unpredictable hands of a bunch of independent judges. Yet without the clear rule of law which such judges provide, Hong Kong could scarcely flourish.

Part of the problem is that there has been no major bureaucracy at the heart of China's government concerned with Hong Kong's affairs, and no institutionalised route through which Hong Kong matters can be brought to the attention of senior leaders.

That may change after 1997. The new Hong Kong chief executive, Yahuda assumes, will have a senior political adviser, appointed by Beijing, who will have access to the very top.

But there are risks. The Basic Law, which will in effect be Hong Kong's constitution after 1997, is vaguely worded and will allow central government considerable control over Hong Kong's internal affairs.

A fundamental misconception in the business community is that China's basic interest is to guarantee continuity in Hong Kong because of its great economic importance. Mindful of the chaos following the collapse of the communist Soviet Union, the Chinese authorities have developed an emphasis on sovereignty and national unification which overrides the business argument, Yahuda says.

China will monitor Hong Kong closely to ensure that its understanding of sovereignty is not breached. It is unlikely to leave well alone.

That leads to China's plan to abolish the Legislative Council elected under Mr Patten's reforms and bar some democrats from political office, despite their popularity.

Such a draconian step is scarcely compatible with the rule of law. The more the provisional LegCo appointed by China differs from that elected in 1995, the less legitimacy it will have. China must have a system that is seen to be legitimate if the rule of law is to have credibility.

"The key to avoiding a dangerous, not to say catastrophic, constitutional crisis towards the end of the transitionary period may well be whether an accommodation can be reached between the Democratic Party and the Chinese authorities," Yahuda concludes.

The pressures of the approaching deadline with all its implications for China as a whole might well prompt such a reconciliation, he suggests. In that case there are real reasons to be optimistic about the future of Hong Kong.

It is hard to disagree with the analysis. But the prescription looks bold indeed.

Hong Kong – China's Challenge *is available from FT Bookshop by ringing Free-Call 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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A good move by Dole on tax

From Mr Gregory M. Davis.

Sir, I was dismayed by your editorial re Bob Dole's tax plan ("Doleful plan for US taxes", August 6). You rightfully criticise the present political atmosphere as disgracefully negligent in its unwillingness to confront burgeoning entitlements. However, your comment that the 1980s "supply-side experiments" were "disastrous" belies your otherwise impressive wisdom.

There is no question the 1980s saw record deficits, but it is the greatest fiction of the modern press that this was the result of President Reagan's tax cuts. In fact, federal tax revenues grew by 24 per cent from 1982 to 1989, in contrast to the roughly 16 per cent increase in the seven years since 1990. Reagan's failure lay in his neglect of entitlement programmes which grew at unprecedented speeds. In short, since 1990, two tax increases have been legislated, federal revenues have declined as a portion of gross domestic product, and economic growth has slowed.

Any plan to reduce the deficit cannot succeed without sustained growth and an overhaul of entitlement spending. Government policy cannot ensure a healthy economy, but it can give one a chance. Dole's proposal is a small step in the right direction.

Gregory M. Davis,
National Review,
150 East 35th Street,
New York, NY 10016, US

Allow Serbs vote in Mostar elections

From Mr Alexander P. Vucelic.

Sir, Your otherwise fine series of stories on the Mostar elections distort the situation by omitting critical information. About 24,000 Serbs were expelled from Mostar at the beginning of the war. A few thousand vanished in that exodus, but that is another story.

There are 17,000 Serbian survivors who would like to return to their city, Mostar. These Serbs were not allowed to vote in the June 30 Mostar elections. The perfunctory offer of a few buses to bring 500 refugee voters in from Serbia for the day humiliated moderate Serbs who wish to support the peaceful evolution of Bosnia.

The elections in Mostar are flawed, not because the Croats refuse to recognise a Moslem majority on the city council. They are flawed because these elections validate the expulsion of Mostar's Serbian population and deny upwards of 20 per cent of it the right to vote.

In the upcoming Bosnian statewide elections, a similar distortion of the voting rolls is taking place with sanction by the great powers. Refugees residing in Croatia, Europe, and north America are encouraged to cast absentee ballots on September 14. Yet, the 550,000 Bosnian-Serb refugees residing in Yugoslavia are not allowed to vote.

While not mentioned in the FT, this fact is well known in eastern Europe. Denial of Serbian refugees the right to vote discredits the peace process and encourages nationalists. Approval of this denial by the great powers undermines their moral authority.

The great powers should encourage moderates to come forward in the peace process. How can Serbian moderates come forward to support the elections when their population is denied the right to vote?

Alexander P. Vucelic,
64 Lakeview Road,
South Salem, NY 10590, US

Diet factor in sporting prowess

From Dr James Witchalls.

Sir, The UK's poor performance at Atlanta is rightly being questioned. A lack of investment in excellent sporting facilities and support for our young athletes is obvious and needs correcting. But there is more to it than that.

Our French cousins are reaping the fruits of such investment but they also thrive on a quality of diet unusual in Britain. This fact must surely contribute to the strength and vitality of their budding athletes. Chips, burgers, soft drinks and a tonnage of confectionery second to none in the world may be the stuff of champion couch potatoes but not athletes!

By all means provide better facilities but this alone will not suffice. We must also do better in ensuring a higher quality of diet for our children than at present: Cultivating health has always been more fruitful than treating symptoms of disease.

James Witchalls,
Maddox Farm,
Little Bookham Street,
Little Bookham,
Surrey KT23 3BU,
UK

Economic plant and levy answer to tyre recycling problem

From Mr Herbert Beven.

Sir, I was fascinated to read the articles by Andrew Baxter and Chris Tighe on your Business and the Environment page ("Wheels turned into 'reverse'", July 24). There are to our knowledge about 200 ideas that only need a few million pounds, dollars or something to get them to solve the tyre problem and make their investors instant millionaires.

I have to tell them it isn't quite like that. You get a good idea. You put about £3m of your own and your colleague's money into the project. You find an organisation with experts in all the chemical and mechanical disciplines required, in our case the Atomic Energy Authority. Then you spend five or six years on the necessary research and development of a full-size plant.

At that point you are again told by the doubters and talkers that recycling tyres can NOT be economic. What is economic? I would ask somebody what waste is "economically" disposed of. Domestic waste is not, hospital waste is not, toxic waste is not. Why should tyres be any different?

In all these cases the public pays the bills in some way or another. Our recycling equipment is truly economic with a very small disposal fee.

A recycling levy on a tyre when the new one is purchased would solve the problems. Many other European countries are already doing this. The technologies for effective disposal are available, including ours. The outlets are in existence and in a number of cases the Environment Agency authorisations to run the plants are in place.

I suspect that now is the time to stop talking and act before the European Union or a high-profile tyre fire impose an unsatisfactory solution on the UK.

We are concentrating our activities for our pyrolysis system on countries where the public perception is that the care of the environment matters to them. Also, our full-size system has been working successfully on tyres for many years.

Perhaps it is better to concentrate on today's products for today's problems rather than on blue-sky research that might solve problems in the next millennium.

Herbert Beven,
chairman,
Beven Recycling (UK),
Building 363,
Curie Avenue,
Harwell Laboratory,
Oxfordshire OX11 0RA, UK

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Thursday August 8 1996

A message from Mars

Confirmation that life once existed on Mars would be the culmination of a 450-year voyage of imagination and discovery. It was started by a Polish-born priest, Nicolas Copernicus, carried forward by courageous thinkers such as Galileo and Darwin, and has irreversibly changed man's perception of his place in the world.

Copernicus's theory, published after his death in 1543, seemed repugnant and implausible to many scholars at the time. For he demoted the earth of men from the centre of the universe to the rank of a mere planet circling a fireball. Nearly a century later, Galileo was persecuted by the church for expounding this theory. But Galileo's experiments under house arrest helped to establish beyond doubt that he was right and the Inquisition wrong.

In recent years speculation has reached out far beyond the solar system, to galaxies and clusters of galaxies, each consisting of billions of suns and – perhaps – many millions of planets inhabited by creatures such as ourselves. Charles Darwin and his followers showed that life could have evolved by chance and natural selection from a soup of simple chemicals into the godlike form of man. But did it? Until recently, this question seemed destined to remain one of the great mysteries of nature; for however strong the theory, one cannot travel back in time to observe life actually emerging.

However, if the fossilised cell found on a meteorite in Antarctica really did come from Mars, as is now believed, this would be powerful corroboration that life has evolved elsewhere in the universe. Unmanned space probes planned this year may find conclusive evidence one way or the other. Laboratory experiments on earth have already shown that the primitive constituents of life can form spontaneously from chemicals. Advances in microbiology have proved that the simplest organisms can be far more robust than was once thought, thriving in salt, sulphurous gases and scalding temperatures. Microbes can also live for years in extremes of heat.

Moreover, this year the existence of planets round distant stars has been confirmed by observation for the first time. We may never touch or see green slime on a distant earth, but we can use radio telescopes to tune into their broadcasts. Ridiculous? The US Congress thought so three years ago when it stopped the funding for such a project. But scientists increasingly believe that there is life out there and that some of it is intelligent. It is surely worth the price of a millennial celebration – or a nuclear submarine – to find out.

Handling Iran

In the argument between western allies over how to handle states accused of sponsoring terrorism, there is a serious risk of diplomatic wires getting crossed to nobody's benefit. US legislation that would penalise non-US companies involved in energy deals with Iran or Libya is causing political and trade tensions. More fundamentally, the allies are again at odds over whether those states are demonstrably engaged in exporting terrorism.

It is important that the issues are kept distinct as far as possible. The legislation, coming after the Helms-Burton law to penalise trading with Cuba, has exacerbated longstanding fears about "extra-territoriality" – the use of US law to regulate other countries' behaviour. European governments are right to object, and to prepare robust retaliation to protect their companies' legal interests.

Whether they are also right to play the issue down, in the hope that President Bill Clinton will use his discretion to implement the new laws leniently, is more questionable. On the contrary, there is a real danger that in this election year, the administration may find its hand forced by public outrage over the (as yet unexplained) TWA airliner crash. US politicians, in any case, are less concerned with the legal niceties than with a feeling that America's allies tend to put selfish mercantilist interests ahead of international security.

The US and its allies must now work harder to understand each other's positions. At the core of the European case is the fact that US assertions about Iran's role in terrorism remain unproven. While there is little doubt that Iran, Libya and other countries have settled domestic scores through violence in western capitals, Washington has yet to demonstrate that either Tehran or Tripoli is at present engaged in a campaign of state terror against other countries. The Europeans also maintain their "critical dialogue" with Iran benefits all sides, including the US and Israel, by keeping communications open.

US officials, meanwhile, are baulking at disclosing secrets about Iran to partners which are themselves in friendly contact with that country. But this gap should not be unbridgeable. The allies could fend off the charge of faint-heartedness by stating that they would approve concerted action against any country proven to sponsor terrorism. And Washington should back its case against "rogue states" by presenting its evidence as openly as possible.

The US has more to gain from working with its allies against the terrorist threat than from punishing them with unacceptable legislation.

Clarke's test

Mr Kenneth Clarke has always said he wanted to prove that prudence can be popular. After more than three years as UK chancellor, many have started to think that he actually believes this. His policies have not been a model of economic probity. But nor have they been deeply irresponsible – an achievement, given the political pressures on Mr Clarke to repeat the boom and bust mistakes of the 1980s.

The job, however, gets harder from now on. That is the main message of the Bank of England's latest quarterly inflation report. It is also the message of recent economic data and the unexpectedly poor state of the public finances. If the government's recovery in the polls continues, Mr Clarke will doubtless claim that his strategy has been vindicated. But autumn will provide a much bigger test of his convictions.

On unchanged interest rates, the Bank is even more doubtful than it was in May that the government will meet its inflation target of 2½ per cent or less in two years' time. The main reason for the greater pessimism is Mr Clarke himself, who overruled Mr Eddie George, the governor of the Bank, when he cut base rates by a further quarter of a percentage point in June. The Bank thought the cut was unnecessary then and, to judge by the report, it believes the same thing today.

The report is less clear on how it now thinks Mr Clarke should proceed. Given his previous advice, the governor ought, logically, to have recommended a rise in interest rates at last month's monetary meeting. The signs are, however, that he merely restated his disapproval of the June cut, deferring a real showdown with the chancellor until the autumn.

This fudge will be another disappointment to those who were hoping that the Bank's greater visibility within the new monetary policy framework would make it more apolitical. But the reality is that Mr George has decided to save his firepower for the battles he can plausibly win.

He has a strong case in resisting any further interest rate cuts. Growth in consumer spending has been accelerating since the start of the year, and looks set to continue. Likewise most see the stagnant manufacturing sector recovering quite smartly in the coming months.

Yet, while it is plausible to expect a recovery in export markets, and to expect producers to raise output, neither has happened yet. The uncertainty means that Mr Clarke can probably defer a decision on higher interest rates until the autumn, but not much beyond then. As he well knows, he might not have to raise interest rates significantly if he opted to raise taxes in the Budget. His party colleagues will want to avoid taking either medicine; a prudent chancellor cannot let them.

Now and then: the energetic Boris Yeltsin of six years ago (right) is now an exhausted leader after the gruelling election campaign (left)

Tall order for a tired man

Russia's president will need all his powers of recuperation to push on with political and economic reform, says **John Thornhill**

Following Boris Yeltsin's resounding re-election as Russian president last month, some of the country's finest poets turned their minds to composing a celebratory ode for tomorrow's inauguration ceremony in the Kremlin.

It has not been easy. Critics panned the official version glorifying the president of a "great and majestic" Russia carrying "the light of freedom to the world". Even one of the president's aides complained about such "monstrous bombast" and the whole idea has since been quietly dropped.

The poets' mental block has perhaps been caused by the difficulty they – and all other Russians – have in deciding whether Mr Yeltsin's inauguration marks the start of a more hopeful chapter in the country's history, or is merely the inconclusive epilogue of its recent, painful past. Capturing the mood of a nation grown weary of the present and still wary of the future is poor material for heroic odes.

As Mr Igor Kon, a Russian sociologist, recently wrote: "Under Soviet rule, Russia was the most hypocritical country in the world. Now, it is the most cynical."

Mr Yeltsin's actions since being re-elected on July 3 have hardly inspired confidence that the president is capable of carrying the "light of freedom", let alone pressing ahead with economic reform.

For the past month, the 65-year-old Mr Yeltsin has been secluded in a suburban sanatorium, appearing only rarely and briefly on television. His aides concede the president is still suffering from "colossal tiredness" following the election campaign.

Mr Yeltsin appears a pale shadow of the man who was vigorously dancing with young voters just three months ago. Many observers now openly doubt that he will live long enough to serve out his four-year term. His early death would spark a fierce struggle for the succession and presage further political instability.

But the president has shown remarkable powers of recuperation before, and he may yet steel himself once again for the political fight after a prolonged rest. As the French president François Mitterrand proved, sick men drugged on the stimulant of power and a sense of their importance in history can endure far longer than the actuaries would suggest.

The president's closest aides insist Mr Yeltsin is still in "wonderful intellectual form" and is determined to win his place in history as a great reforming leader, alongside the 18th-century Tsar Peter the Great who dragged Russia screaming into the modern world.

They claim Mr Yeltsin's competitive nationalist instincts were fired by a trip to China this spring when he saw how far that country was forging ahead of Russia in building a modern economy and attracting billions of dollars of foreign investment. Mr Yeltsin has a mission to restore Russia to the ranks of the world's great powers.

But when Mr Yeltsin returned to the Kremlin on Tuesday to prepare for his inauguration he was immediately faced with an in-tray stuffed with more mundane and seemingly intractable challenges.

The most alarming was the latest eruption of fighting in the southern breakaway region of Chechnya which threatens completely to overshadow the inauguration ceremony. A shaky ceasefire agreement, signed in the Kremlin before the elections, was blown apart this week as separatist fighters launched a ferocious assault on the regional capital of Grozny, killing dozens of federal troops and civilians.

Unless Mr Yeltsin is prepared to countenance a humiliating withdrawal, it is not easy to see how the conflict can be quickly resolved.

Continued fighting in Chechnya will not only be a recurring nightmare for Russia's shambolic army. It is also likely to have profound political repercussions; it will alienate liberals who reluctantly backed Mr Yeltsin in the presidential elections and antagonise foreign governments on whom Russia is still dependent for financial support.

The slaughter of young conscripts will again become an emotive rallying cry for the communist opposition, which still holds sway in Russia's parliament despite its defeat in the presidential elections. The communists retain the power to block the formation of a new government and frustrate much of Mr Yeltsin's legislative agenda.

Since the elections, Mr Yeltsin has adopted a conciliatory approach towards the communists, hinting that he may include some of their representatives in his new administration.

But the communists are trying to regroup their forces in a more broadly-based National Patriotic Union and may not be willing to co-operate. At its founding congress yesterday, the leaders of the union seemed set on adopting a confrontational stance.

Mr Yeltsin's team can ill afford to get drawn into a legislative quagmire in parliament given the decisive steps they need to take to stabilise the volatile economy.

To avoid a budgetary crisis later this year, the government must move fast to increase federal tax revenues. They reached only 63 per cent of their targeted level in the first six months of the year.

At the same time, there will be great demands on Mr Yeltsin to deliver on many of his lavish pre-election spending promises. Russia's coalminers are already threatening a national strike, demanding that their delayed wages be paid in full. And many troubled Russian banks are pleading to be bailed out.

Hard-pressed regional governors are also likely to scream for more cash before they are forced to contest important regional elections this winter.

The International Monetary Fund, which is backing Russia's economic reform programme, has already indicated its concern about the budgetary situation by delaying the disbursement of last month's tranche of a $10.2bn (£6.6bn) loan. Russia's fledgling capital markets are also suffering some post-election nerves, further complicating the government's financing options.

In order to push his team forward to address these problems, Mr Yeltsin will have to demonstrate considerable vigour. He will need all his legendary cunning to keep his ambitious subordinates – and potential successors – under control.

Mr Victor Chernomyrdin, who is likely to be confirmed as prime minister soon after the presidential inauguration, has barely concealed his antagonism towards Mr Alexander Lebed, the former general and presidential candidate recently appointed as secretary of the influential Security Council.

The danger is that the two men will spend more time scrapping with each other than directing their energies towards a common goal, especially if Mr Yeltsin fades from the scene.

These problems may appear daunting to an old and ailing man, but Mr Yeltsin can draw comfort from the knowledge that he has been through far worse.

The economy may still be in a fragile state but many of the big battles have already been waged and won. The government has privatised swathes of state-owned industry and largely liberalised its foreign trade regime. Under the central bank's rigorous guidance, the monthly inflation rate has been cut to just 0.7 per cent in July and the rouble has been held steady.

As long as that firm monetary grip is maintained, Russia could soon enter a virtuous circle of falling interest rates, increased investment, and the first real economic growth this decade. An expanding economy would considerably ease the social strains that are still racking Russia.

In a sign that he is serious about pursuing a reformist agenda, the president has already appointed Mr Anatoly Chubais as head of his presidential administration, which helps both to devise and to supervise government policy.

One of the main architects of Russia's economic reforms and a skilled administrator, Mr Chubais could play a critical role in driving through needed changes.

Mr Yeltsin also appears to be forming a government of mainly reformist hue having already purged his entourage of its most reactionary elements before the second round of the presidential elections. These ministers may not share the "market romanticism" of early economic reformers but they could prove all the more pragmatic for their lack of idealism.

When he emerges in the Kremlin for his inauguration, Mr Yeltsin may reflect on the events of a century ago when the young Nicholas Romanov was crowned Russia's last tsar in a glittering ceremony in 1896.

The early years of Nicholas II's reign were filled with promise as the economy grew strongly and the country made halting steps towards establishing a less authoritarian political regime. But all was destroyed in ill-conceived wars which ultimately sparked the communist revolution. Russia's modern-day tsar will want to be remembered for his political and economic reforms, rather than see his achievements tarnished on the battlefields of Chechnya.

· OBSERVER ·

Bounced Czechs

■ A row over money has taken some of the fizz out of the Olympic spirit among members of the Czech team of athletes who won 10 medals between them in Atlanta – four gold, three silver and four bronze.

Athletes were promised before the Games that they would receive Kcs600,000 for every gold medal won, Kcs350,000 for silver and Kcs250,000 for bronze. Their unexpectedly high medal haul landed the Czech Olympic Committee with a bill for Kcs4.45m.

But canoeist Martin Doktor, who won two golds, has been told by an embarrassed COC that he will get only Kcs300,000 for his second medal. The committee doesn't have enough money to give everybody their full prizes, according to a spokesman, because sponsors failed to come up with all the money they promised. Comparisons have been made with the largesse bestowed upon the Czech football squad after it reached the final of Euro 96. The footballers got Kcs1.8m each for their efforts.

Newspapers are clamouring for Doktor, who says getting to the Games cost him Kcs450,000, to be given his due. The daily Mlada Fronta Dnes pointed out how the communist-era squads were all treated with scrupulous even-handedness, in the spirit of socialist brotherhood.

Chinese puzzle

■ The fluency of "green" campaigners can often be halted with one question: what should be done about China? Pressure groups are often torn between wanting China to curb its burgeoning pollution, and hesitating at putting obstacles in the path to prosperity for some of earth's poorest people.

Greenpeace Business, a newsletter from the environmental group, exemplifies this dilemma. "The Greenpeace goal is that the people of China would share the benefits of a clean environment without forfeiting necessary development and attainment of decent standards of living for their people."

Ah so. And how will this be done – particularly on the energy front? The newsletter, which has been controversial within Greenpeace for recommending "dialogue" with big business, is equivocal.

On the one hand, it talks of chatting with local Chinese officials about the production of "ozone-friendly" fridges. Fine – most Chinese do not have a fridge, but if people are going to buy one, no bad thing if it is ozone friendly. It is a shame that Greenpeace does not tell us whether their preferred brand costs any more.

On the other hand Greenpeace, fresh from its triumph in preventing Shell scuttling the Brent Spar oil platform at sea, is of course reluctant to surrender its favourite role of David against Goliath. In the same article, it duly recounts the tale of how 70 Chinese soldiers boarded a Greenpeace ship protesting against nuclear testing.

For all the discussions and roundtables, the suspicion is that green organisations will continue to find their power base depends on confrontation rather than consensus.

Indi-ah

■ If you marry the half sister of Jemima Goldsmith, Sir Jimmy's daughter, you can't really expect to avoid the attentions of the glossies.

So Francis Pike, who works in India for Hong Kong-based investment bank Peregrine Securities, no doubt takes a sanguine view of his cameo role in the August issue of British Vogue.

The focus of the article is his spouse, India-Jane Birley, an artist who chats with Jemima regularly to "compare notes on the dramatic changes that their husbands have brought to their lives". The pair live in a "light airy" flat in downtown Bombay that sounds achingly *comme il faut*. "In the cooler season they sit on the veranda to eat breakfasts of papaya and breadfruit and crispy American bacon, to talk and entertain or play backgammon."

While India-Jane was engaging in "several lengthy love affairs" after her first marriage had ended, "Francis was busy making his fortune in Asia". One wonders what his Hong Kong bosses will make of the next sentence about his describing himself as a "financial speculator". There are few parts of the world where it is wise to label oneself thus. Even in Bombay's increasingly heady climate, it may raise a few eyebrows.

Minority interests

■ It seems, from yesterday's government report on ethnic minorities in Britain, that the country's future cricket success lies in the hands of its Pakistani and Bangladeshi communities. Men from these ethnic groups are three times as likely to play cricket as those from any other. The only leisure activity pursued with passion by everyone is TV.

Alas, synchronised watching is not yet an Olympic sport.

The Financial Times

100 years ago

Chili Telephone

The ordinary general meeting of the Chili Telephone Company was held yesterday in the City of London under the presidency of Mr. George Keith, chairman of directors. The chairman said the business of the company had made considerable progress in the past year. The gross revenues had increased over 11 per cent on the previous year, and the number of subscribers had increased by 287. On the other hand, the general expenses showed a marked reduction. The net profit for the year was £8,551 as against £6,012 in the previous year. It was proposed to pay a dividend of 4 per cent per annum.

50 years ago

Five Directors Resign

Col. Allan A. Magee, the president, and four other directors of Barclays Bank (Canada) have resigned from the Board because of "a difference of opinion with the parent institution in England on fundamental policy." It is stated in financial circles in Montreal that the crisis arose over the granting of a loan to one of Canada's largest industrialists for the purpose of expanding his business. As a result of the refusal, the industrialist transferred his account to another bank, which granted him a loan.

FINANCIAL TIMES
Thursday August 8 1996

On-board electronics will access the Internet

IBM, Mercedes in deal to develop car systems

By John Griffiths

International Business Machines, the world's largest computer group, and Mercedes-Benz of Germany are collaborating to develop vehicle electronics networks that will manage mechanical functions and provide access to the Internet.

The companies said the integrated electronics for trucks and cars would use network computing concepts to access the Internet, satellite navigation systems, traffic and other data to be provided by future "intelligent" information highways and even e-mail and fax transfers.

The same electronics networks would simultaneously be capable of controlling engine functions, transmission, lighting and most other operations within the vehicle, Mercedes-Benz said yesterday.

The collaboration takes IBM into in-vehicle computing systems for the first time. It has previously worked closely with Mercedes on vehicle manufacturing systems.

The partners claim that the electronics networks will lead to significant time and cost savings in the design, development and production of new cars by using standardised hardware which would not require changing through successive model generations.

Although existing automotive electronics can perform these tasks individually or in groups, the IBM-Mercedes partnership will create an integrated control system, comprising modules with standardised interfaces that can be configured quickly and cheaply for a broad spread of applications.

"As a result Mercedes-Benz will not have to develop a new electronic systems for each new automotive model. Instead, we shall be able to reuse components from model to model, reducing costs and speeding the design and manufacturing process", said a spokesman. Although Mercedes-Benz will be the initial beneficiary of the project, both the German car maker and IBM expect the systems to be widely adopted by other vehicle makers.

The collaboration, the first involving automotive components between the two groups, has been under discussion for months, with agreement reached at a meeting between Mr Helmut Werner, Mercedes' chairman, and Mr Louis Gerstner, IBM's chairman and chief executive, during the Olympic Games in Atlanta.

Existing component suppliers to both companies – including Robert Bosch and Siemens in the case of Mercedes-Benz – are expected to be involved with the development programme. The first cars featuring the jointly developed technology are unlikely to appear until early in the next century. The project will be based in southern Germany, where both Mercedes and IBM have research and development facilities.

Germany in barbecue campaign to lure beef defectors

By Judy Dempsey in Bonn

German farmers will today resort to a new tactic in attempts to convince the country's consumers that beef is safe – holding barbecues.

At 50 parties, farmers will bring their own produce to be barbecued, and local people, for a "nominal" fee, will be encouraged to talk about meat and savour the sirloins.

The campaign will open in the north German resort of St Peter-Ording in Schleswig-Holstein, near Husum, where farmers last week burned the UK flag in protest against the continuing controversy over BSE, or mad cow disease.

The get-togethers, each to cost about DM5,000 ($3,378), are being organised by Germany's Farmers' Association (DBV) and the Central Marketing Board of the agricultural industry (CMA). They are reacting to the sharp fall in beef consumption - highlighted again yesterday by the release of a study by the respected Allensbacher opinion poll institute.

It found more than half the population had changed eating habits since March when the BSE crisis began, with 15 per cent of Germans refusing to eat beef and 38 per cent eating far less.

More worrying is that women, who tend to make the shopping and cooking choices, have deserted beef in greater numbers than men. More than 58 per cent of women have changed their eating habits compared with 47 per cent of men, and 17 per cent of women refuse to eat beef compared with 13 per cent of men.

"The Germans want to know where the beef is coming from," said Mr Bernhard Lütke Entrup, a DBV spokesman. "Maybe when they see it is locally produced, they will be convinced German beef is not only safe but also delicious."

Since March, beef farmers have been receiving between DM200 and DM300 less than before for each animal slaughtered; they hope an increase in consumer demand will lead to a recovery in prices. "We really are hoping this will be one of the ways to win back the consumer," said Mr Manfred Hauser of the CMA.

Brazil plans to bail out debt-laden state banks

By Jonathan Wheatley in São Paulo

Brazil yesterday unveiled a plan to restructure the country's debt-burdened state banks in a move seen as part of an assault on mounting public sector debt.

The initiative, in the form of a presidential decree, could end an impasse over the future of Banespa, the São Paulo state bank, which has advanced about $18bn in now doubtful loans to the state government, its controlling shareholder. Other state-controlled banks have bad loans of up to $3bn each.

The decree allows the federal Treasury to provide funds to help Brazil's 27 state governments privatise their banks, or liquidate them, transform them into development agencies or merge them with other banks. It also allows the Treasury to take over debts owed by state governments to their banks and, in some cases, provide other financing to save the banks from closure.

Mr Pedro Malan, finance minister, said the move would eliminate "a source of pressure" on the country's finances by reducing the presence of state governments in the banking industry.

A finance ministry spokesman said it was not possible to estimate how much money the Treasury would spend on the programme as this would depend on individual requests for assistance from state governments. The Treasury would finance the programme by issuing bonds and passing the funds raised to state governments; the cost of the programme would be limited to capitalisation costs.

The ministry stressed that while the new measures would increase the level of federal debt, they would cut total public debt by helping to end past practices by which state governments borrowed indiscriminately from their banks.

The banks were often used by their controllers to finance lavish public spending programmes. Their financial problems increased with the introduction of a stable currency in July 1994, which cut easy earnings from high inflation.

Mr Malan said the initiative was part of wider efforts to cut public debt by privatising state assets. Several state governments have begun privatising management of highways and other services – São Paulo state is preparing to sell electricity assets worth an estimated $20bn.

São Paulo reached an agreement with the finance ministry last year under which the federal Treasury would assume half its debt with Banespa in exchange for assets including railways and airports. Since the agreement was reached, however, unpaid interest has increased the state's debt from $15bn to $18bn.

Mexico counts the cost of sell-offs, Page 15

France proposes substantial cuts in public spending

Continued from Page 1

August holiday, during which confidential objectives were set for expenditure levels in each of the different ministries for 1997. More detailed information on the budget will be circulated during September.

The Matignon said that, in spite of the cuts, the government was committed to ensuring that priority would remain on areas of spending that helped employment, the most disadvantaged and a restructuring of the education, defence and justice systems.

Mr Alain Lamassoure, the budget minister and government spokesman, said the reductions would entail a reduction of 6,500-7,000 public sector workers, largely through not replacing those who retired.

The prospects of such cuts have raised fears that social unrest could be triggered in the autumn, notably in the school and university system which is likely to be hit.

The socialist opposition said the new budget would hurt growth and increase unemployment.

THE LEX COLUMN

Stet's wrong number

The good news is that the Italian government has ended years of procrastination over selling its Stet stake. The bad news is that it has wasted the opportunity to alter the telecoms group's convoluted structure before the sale. No wonder Stet's shares fell 4 per cent yesterday. After all, the government did not even mention the possibility of merging Stet with its Telecom Italia subsidiary, which would have stripped out substantial costs and reduced Stet's 35 per cent discount to net asset value.

Still, the limpness of the government's proposals was hardly surprising. And at least, by setting a timetable for selling Stet's publishing business, the government should be able to create sufficient momentum to overcome resistance to throwing out other peripheral assets such as telecoms manufacturing before selling the state's 64 per cent stake. This will undoubtedly create shareholder value – a highly desirable precedent.

However, probably the greatest concern for potential investors in next year's L16,000bn ($10bn) Stet share sale, is the government's intention to form a nocciolo duro, or hard core of shareholders, for Stet. This rekindles memories of the Banca Commerciale Italiana and Credito Italiano privatisations. Milanese merchant bank Mediobanca and its allies took control of both banks and minority shareholders have had a horrible ride ever since. And guess what? Mediobanca happens to be a key adviser on the Stet sale.

FT-SE Eurotrack 200: 1701.9 (+8.4)

Standard Chartered

Standard Chartered's recovery has been spectacular; in 18 months the shares have outperformed the market by more than 100 per cent. And there was nothing in yesterday's interim results to suggest this is overdone; a thumping 31 per cent increase in trading profit is respectable by any standards. Why, then, did the shares fall 2 per cent?

Doubtless profit-taking is one reason. But if investors want to take profits, it is partly because they take too Little Englander a view of this stock. Compared with UK banks – with which Standard has nothing other than an address in common – a price/earnings multiple of 12 times this year's earnings may look racy. But by the standards of Asian banks it is anything but. Moreover, UK investors seem to have been unnerved by Standard's warning that, although it will keep its cost-income ratio falling, it plans to spend more money expanding its business. In mature banking markets like the UK, such a single-minded investor focus on cost-cutting is justified. But Standard's situation is fundamentally different; it enjoys a remarkable franchise in fast-growing markets. Frankly, if new investment can yield anything like Standard's current 28 per cent post-tax return on equity, the more it invests the better.

GKN

Two years ago sluggish automotive markets would have stopped GKN in its tracks. But the timely purchase of Westland, the helicopter maker, and the rapid development of its Chep pallet hire business have transformed the group. As a result, first-half earnings grew 14 per cent at a time when car production was flat in Europe and falling in the US.

Prospects look promising. Deliveries of armoured cars and helicopters will accelerate in the second half and Westland has a £4bn order book stretching to 2008, even excluding lucrative support work. Chep is growing at 15-20 per cent a year and faces no serious competition. There is a huge opportunity to expand geographically and into new products such as plastic crates which could replace cardboard boxes and polystyrene packaging. Even the automotive division has potential in the US to improve margins – probably half the 9 per cent the group manages in Europe – and to move into areas such as pressings and fabrications. Those opportunities, particularly capital-hungry Chep, will swallow a good part of GKN's £252m of net funds. But, given strong cash generation, the group will have the firepower to take part in any restructuring of the European defence industry or buy out Brambles, its joint venture partner in Chep, if the opportunity arises. The shares stand at a slight price/earnings premium to the market average, having doubled in the past two years. Today's less cyclical GKN can easily sustain such a rating.

UK inflation

Here is an intriguing fact; according to the Bank of England, inflation expectations implied by three-, five- and 10-year gilt prices have fallen since the chancellor controversially cut interest rates in June. Still, Mr Kenneth Clarke would be unwise to conclude that investors share his cheerful confidence that inflation is under control. Rather the debate has moved on. Few doubt that this chancellor is playing politics with the economy; the real question is how decisively the next government will move to clear up the mess. And if gilts are anything to go by, investors' scepticism on this score is gradually diminishing.

Even so, it would be unwise to underestimate the scale of the task the next government will face. It could still be the best part of a year until the next election – plenty of time for the current boomlet in domestic demand to gather pace. And whatever the Bank may hope, the odds must be on further loosening of both fiscal and monetary policy in the meantime. While the Bank is doubtless right, therefore, that a small precautionary interest rate rise now would be a good idea, its warning that a bigger rise will otherwise be needed later is more to the point. So is its well-founded worry that fiscal policy will have to be tightened too.

Of course, if the argument between the chancellor and the Bank boiled down to a matter of a quarter-point on rates, it would not matter too much. The real debate – whether the current objective of policy should be to stoke up or to cool off the strength of consumer demand – is more fundamental. Worse, the friction looks set to grow, either because the chancellor cuts rates or taxes further, or because evidence of a boomlet blossoms. For gilts, such growing tension looks an unnerving prospect.

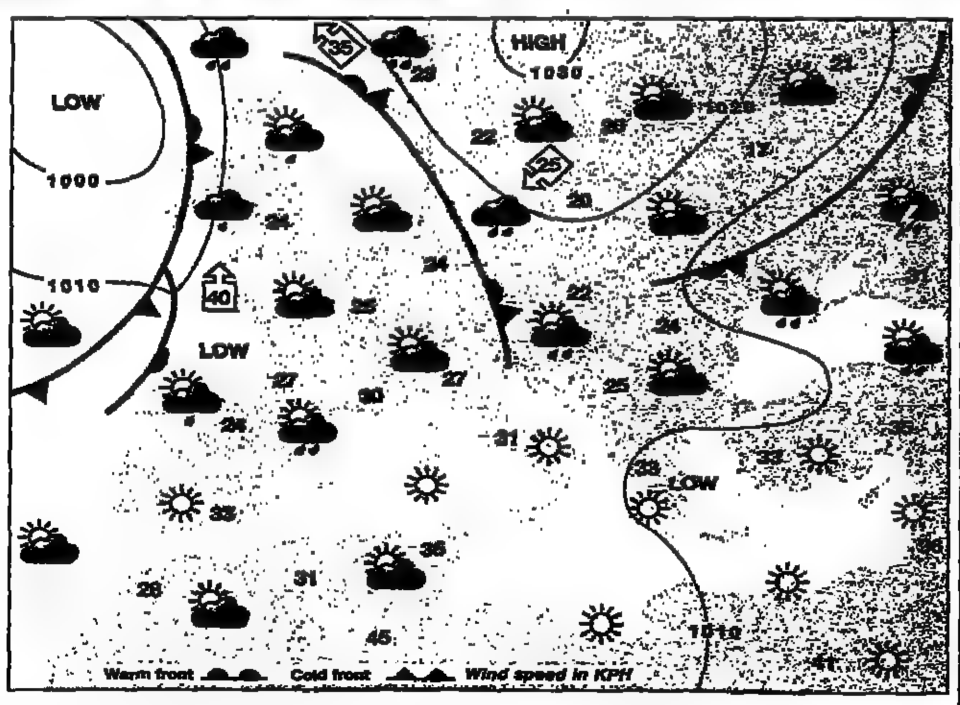
FT WEATHER GUIDE

Europe today

Sunny periods are expected in the Benelux, France and northern Spain. Rain is likely near a frontal zone from southern Scandinavia to Austria. Switzerland will be rather cloudy. Spain will be sunny although there will be some showers in the north. Italy, Greece and Turkey will have a lot of sun but showers are likely in the Balkans. Showers will occur around the Black Sea. Russia will be partly cloudy. Scandinavia will be fair with abundant sun over Norway and some cloud over Sweden and Finland.

Five-day forecast

More cloud and rain will approach the British Isles and western Europe. This band of rain will move east towards Poland during the weekend. High pressure over Scandinavia will expand towards Russia. Southern Europe and northern Africa will stay sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius

			Beijing	sun	32	Caracas	fair	31	Faro	sun	26	Madrid	sun	33	Rangoon	rain	29
			Belfast	rain	19	Cardiff	cloudy	18	Frankfurt	fair	24	Majorca	sun	30	Reykjavik	rain	15
Abu Dhabi	sun	43	Belgrade	sun	24	Casablanca	sun	25	Geneva	fair	26	Malta	sun	33	Rio	sun	25
Accra	fair	29	Berlin	rain	24	Chicago	sun	28	Gibraltar	sun	30	Manchester	cloudy	20	Rome	sun	31
Algiers	sun	31	Bermuda	shower	28	Cologne	fair	22	Glasgow	cloudy	19	Manila	shower	34	S. Frsco	sun	24
Amsterdam	fair	21	Bogota	thund	19	Dakar	fair	31	Hamburg	rain	23	Melbourne	shower	14	Seoul	fair	32
Athens	sun	33	Bombay	rain	31	Dallas	fair	35	Helsinki	fair	22	Mexico City	fair	22	Singapore	shower	32
Atlanta	shower	32	Brussels	fair	22	Delhi	shower	33	Hong Kong	fair	32	Miami	fair	33	Stockholm	fair	22
B. Aires	thund	11	Budapest	cloudy	23	Dubai	sun	42	Honolulu	fair	32	Milan	fair	28	Strasbourg	fair	25
B.ham	cloudy	21	C.hagen	fair	21	Dublin	rain	19	Istanbul	sun	28	Montreal	shower	31	Sydney	sun	16
Bangkok	shower	33	Cairo	sun	35	Dubrovnik	fair	29	Jakarta	fair	32	Moscow	fair	17	Tangier	sun	26
Barcelona	sun	27	Cape Town	sun	19	Edinburgh	cloudy	18	Jersey	fair	19	Munich	cloudy	22	Tel Aviv	sun	33
									Karachi	fair	32	Nairobi	fair	28	Tokyo	shower	28
									Kuwait	sun	47	Naples	sun	31	Toronto	fair	29
									L. Angeles	sun	29	Nassau	fair	32	Vancouver	fair	22
									Las Palmas	fair	27	New York	fair	30	Venice	fair	26
									Lima	fair	20	Nice	fair	27	Vienna	rain	20
									Lisbon	sun	25	Nicosia	sun	36	Warsaw	cloudy	20
									London	cloudy	22	Oslo	fair	22	Washington	fair	31
									Luxbourg	fair	22	Paris	fair	25	Wellington	rain	12
									Lyon	fair	26	Perth	fair	16	Winnipeg	fair	23
									Madeira	fair	25	Prague	rain	22	Zurich	fair	23

شكرا من الاهل

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday August 8 1996

IN BRIEF

Christiania falls at operating level

First-half operating profits fell sharply to NKr1.11bn ($173m) from NKr1.82bn at Christiania Bank, Norway's second largest banking group, because of a drop in the level of gains achieved by writing back provisions against loan losses from the early 1990s crisis. Underlying earnings were significantly stronger, buoyed by the robust Norwegian economy. Page 14

Akzo blames fall on weak textiles
Akzo, the Dutch chemicals and pharmaceuticals group, pointed to a decline in Europe's textiles industry as the main reason for a 4.4 per cent fall in the group's second-quarter net profits. Page 14

Stora upbeat despite falling profits
Stora, the Swedish forestry products group, held out the prospect of an end to the slump in the sector, saying that orders were increasing again and prices for most paper grades had reached bottom. Half-year profits tumbled 60 per cent from SKr4.1bn to SKr1.6bn ($243m) – about SKr200m below market forecasts. Page 14

YPF beats forecasts in second quarter
Higher crude oil prices and an improved performance by its Maxus subsidiary helped YPF, Argentina's hydrocarbons group, achieve better than expected second-quarter profits of $223m, marginally above the $219m in the same period last year. Page 15

CU considers E Europe expansion

Commercial Union, the UK composite insurer, is considering expansion into Russia and the Czech Republic as part of a strategy of reducing its reliance on an increasingly tough UK market. The news emerged as Mr John Carter (left), chief executive, unveiled a smaller than expected fall in half-year operating profits from £248m to £216m after a £56m increase in US and UK weather claims. Page 16

Eurotherm reinstates ousted chief
Eurotherm, the UK industrial controls manufacturer, bowed to pressure from institutional shareholders by reinstating Mr Claes Hultman, the chief executive ousted in a boardroom battle last month, and appointing Sir James Hann, former chairman of Scottish Nuclear, the generator privatised recently as part of British Energy, as chairman. Page 16

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Degussa	492	+	8.4
GEHE	95.5	+	3.2
Linde	985	+	12
Schering	109.9	+	4.2
Varta	295	+	5
Viag	557	+	3.5
NEW YORK ($)			
Rises			
Bearings Inc	30⅝	+	3
Medtronic	53⅜	+	3¼
Micron Tech	28⅝	+	3⅛
Falls			
Cooper Cam	49⅝	−	1⅞
Pioneer Elt	21	−	1⅜
Stat Societa	31⅛	−	1⅛
LONDON (Pence)			
Rises			
Crown Eye	235	+	25
Joseph (Leo)	448	+	35
Mtl Bulletin	1083	+	63
Oxford Mol	327	+	20
Falls			
Applied Dist	92	−	53
Chloride	383	−	17
TORONTO (C$)			
Rises			
Intl Corona	14.5	+	0.95
JDS Fitel	19.75	+	1.1
Stco Inc	7.25	+	0.75
Falls			
Biovail	32.05	−	2.15
Clair Fins A	31.0	−	2.0
Hyal Pharm	5.85	−	1.9
PARIS (FFr)			
Rises			
Havas Advert	534	+	16
Technip	431.9	+	9.9
Falls			
Accor	640	−	18
Imetal	700	−	13
Seb SA	880	−	20
Total B	380	−	5.6
TOKYO (Yen)			
Rises			
Shoya Atomic	475	+	23
Falls			
Brother Ind	561	−	24
NSK	720	−	21
Nissan Motor	885	−	31
Noritake	982	−	38
Pioneer	2300	−	100
HONG KONG (HK$)			
Rises			
China Res	6.75	+	0.35
TV Broad	29.8	+	0.95
Winsor Ind	4.75	+	0.35
Falls			
Giordano Intl	6.0	−	0.6
Midland Sty	6.6	−	0.3
Yltch	14.0	−	0.8
BANGKOK (Baht)			
Rises			
Kulthorn Kirby	42.0	+	3.75
Thai Pla Tai	58.5	+	5.0
The Bangchak	30.75	+	2.75
Falls			
Fancy Wood	20.75	−	2.25
Food & Drinks	23.0	−	2.0
Siam City Life	35.0	−	2.5

New York and Toronto prices at 12.30pm.

Dresdner rises 44% in first half

German bank lifted by securities arm and first-time contribution from Kleinwort Benson

By Andrew Fisher in Berlin

Dresdner Bank of Germany raised operating profits 44 per cent to DM1.42bn ($956m) in the first half of 1996 with the help of buoyant securities business and a strong first-time contribution from Kleinwort Benson, the UK investment bank acquired last year.

The result, which compared with DM984m a year earlier, was above expectations, but Mr Jürgen Sarrazin, chairman, said the growth rate would not be sustained. However, a "marked increase" – well over 10 per cent – was expected for the full year.

Commenting on speculation about German banking mergers, he said it was hard to imagine takeovers by the country's big banks. Allianz, the insurer which owns about 20 per cent of both Dresdner and the smaller Bayerische Hypotheken-und Wechsel-Bank, had put no pressure on the two to merge and no talks were being held.

But he expected further restructuring by German banks, especially to cut costs and improve service. About 200 of Dresdner's 1,200 domestic branches would open late from November, when longer shopping hours began. Dresdner would do this mainly with part-time staff; it did not intend to pay a premium for late working.

Net interest income rose 8 per cent to DM3.4bn, with commission profits 46 per cent higher at DM1.9bn, helped by strong securities and mutual fund business. The integration of Kleinwort Benson accounted for more than half the commission increase.

Mr Sarrazin said Kleinwort Benson's first-half operating profits were about the same as in the whole of 1995.

Its pre-tax return on equity was 20 per cent, the same as that of the whole Dresdner Bank group, against 14.4 per cent in the first half of last year.

Dresdner's own-account trading profits were 17 per cent higher at DM382m, also reflecting Kleinwort Benson's contribution.

This comprised DM126m from dealings in securities, DM66m from foreign exchange and precious metals and DM190m from derivatives.

The Kleinwort Benson acquisition also pushed up costs by 16 per cent to DM4bn; without this, they rose 2.6 per cent. Staff costs rose 0.6 per cent. Mr Sarrazin said Dresdner had reduced domestic branch employment by 11 per cent since the end of 1993.

Loan loss provisions were 9 per cent higher at DM509m, while profits from securities in the liquidity portfolio jumped 53 per cent to DM366m through sales of bonds and of industrial stakes shareholdings of less than below 5 per cent.

Standard Chartered surpasses forecasts

By George Graham, Banking Correspondent

Standard Chartered, the London-based international bank, capped a season of glittering bank interim results yesterday with a stronger than expected increase in pre-tax profits to £448m ($694m) in the six months to June 30, up from £336m a year earlier.

For the last five years Standard Chartered has been the object of almost constant bid speculation, and its strong network in the fast-growing Asia-Pacific region still makes it an attractive potential target.

But in spite of a 13p drop yesterday to 699p, its soaring share price has put it out of reach for all but the most ambitious bidder. Standard Chartered officials, determined to remain independent, note that even with no takeover premium to today's share price, anyone buying their bank would have to write off more than £5bn of goodwill.

Excluding exceptional gains, including a profit on the sale of its private banking business to Swiss Bank Corporation, Standard Chartered's trading profits rose 31 per cent to £402m. The group's net revenue increased 15 per cent, as total lending advanced 15 per cent and the average interest margin widened from 3.3 per cent to 3.5 per cent.

Operating expenses rose by less than 4 per cent to £538m. As a result, the ratio of costs to income fell to 54.7 per cent from 60.7 per cent.

Mr Malcolm Williamson, Standard Chartered's chief executive, said the group wanted to bring that ratio down even further, even while investing in continued expansion. "A 55 per cent ratio is unacceptable going forward. A sub-50 ratio has to be a medium term strategic imperative."

Mr Williamson said the current rate of growth in mortgage lending – up 25 per cent in the first half – was unlikely to be kept up, but there was no reason why the bank could not maintain its high growth rates in other segments of the personal banking market.

The bank announced a 31 per cent increase in its interim dividend to 4.25p, on earnings per share of 27.3p, excluding disposal profits, up from 20p a year earlier.

Lex, Page 12

Cathay Pacific lifted by shake-up

By John Ridding in Hong Kong

Cathay Pacific Airways, the Hong Kong-based carrier, yesterday announced net profits of HK$1.65bn (US$214m) for the first six months of the year – a rise of 87 per cent over the 1995 performance, with results lifted by a HK$541m exceptional gain.

Stripping out the exceptional item, the figures revealed a relatively modest rise of 12.5 per cent. The airline cited adverse currency rates and higher fuel costs as constraining factors, but predicted a stronger performance in the second half of the year.

The exceptional profit was the result of restructuring in Hong Kong's aviation sector. The complex reorganisation saw Cathay sell a 12 per cent stake in Dragonair to CNAC, the commercial arm of the Chinese aviation regulator. The UK-controlled Swire group reduced its holding in Cathay from 52.6 per cent to 44 per cent. Citic Pacific, the Hong Kong arm of China's flagship investment company, raised its stake in Cathay from 10 per cent to 25 per cent.

Peter Sutch: good performance given prevailing conditions

The April reshuffle has reduced uncertainty in Hong Kong's aviation sector ahead of next year's handover to China. However, some analysts believe that Dragonair, the ambitious regional carrier, may ultimately emerge as a rival to Cathay.

Mr Peter Sutch, Cathay Pacific's chairman, said the figures represented a good performance given prevailing market conditions. The weakness of the yen reduced passenger yields, particularly in north-east Asia, while passenger load factors in south-east Asia were reduced by excess capacity and increased competition. Elsewhere, passenger yields improved.

Overcapacity also affected the airline's freight business, with revenues climbing by just 4.8 per cent to HK$2.68bn. The performance was below budget, but improvement is expected in the current half.

Total airline operating costs rose from HK$12.18bn to HK$13.18bn, partly reflecting an increase in expenditure on fuel. Cathay said that fuel prices were significantly higher than for the first half of 1995, although the impact was offset by the company's hedging policy.

Overall, turnover in the first six months climbed 7 per cent to HK$15.22bn. Earnings per share rose to 56.2 cents, from 34.3 cents in the corresponding period. Excluding exceptionals, earnings per share rose 9.9 per cent to 37.7 cents. The interim dividend was raised by 4.5 per cent to 11.5 cents.

Industry analysts described the results as largely in line with forecasts.

Adidas weighs in with 56% leap

Pictures: Reuters/AP

Field day: shot put gold medal winner Astrid Kumbernuss from Germany (left) and women's 200m Olympic champion Marie-José Perec (far right) of France, two of the 6,000 athletes Adidas says wore its clothing in Atlanta

By Wolfgang Münchau in Munich

Adidas yesterday reported a 56.3 per cent increase in pre-tax profits to DM249m ($167m) for the first half of the year, underlining the German sports goods manufacturer's robust recovery from its financial difficulties in the early 1990s.

The profits, up from DM160m a year earlier, came in ahead of market expectations and reflect the recovery in the company's US operations and strong growth in the high margin textiles business.

However, Adidas's share price fell yesterday on profit taking, ending 30 pfennigs lower at DM124.60. At this level, the shares are trading at almost twice the price offered to shareholders when the company was floated in the autumn of last year.

Net sales during the period increased 28.3 per cent from DM1.75bn to DM2.24bn. In the second quarter, Adidas increased turnover 39.5 per cent to DM1.05bn and pre-tax profits 25.7 per cent to DM78m.

The strongest sales growth in the second quarter occurred in North America, where Adidas reported sales of DM257m, an increase of 46 per cent, after overcoming difficulties in its US distribution.

Adidas said the profitability increase was influenced by strong sales growth in clothes and running shoes.

Mr Robert Louis-Dreyfus, chairman, said the results confirmed "the momentum of the brand which was further reinforced by our dominance in soccer at Euro 96, the Atlanta Olympic Games and other major competitions".

Adidas claimed 6,000 athletes, including 200 medallists, had worn its outfits at the Olympic Games.

Mr Louis-Dreyfus said that Adidas's main marketing drive in the second half would focus on the expansion of a new sports shoe design into categories including basketball.

Net income in the first half rose 40.4 per cent to DM184m.

Net earnings per share increased from DM2.89 to DM4.06.

Mr Louis-Dreyfus said the company's mid-year order level was 34 per cent higher than in 1995.

He said the company was aiming to increase pre-tax profit margins, now 11.1 per cent, to 13 per cent by the end of 1998.

Europe remains Adidas's main market, accounting for sales of DM1.52bn, an increase of 31.9 per cent, with particularly strong performances coming from the UK, Sweden, Norway and Spain. North American sales were DM483m, up 17.8 per cent in the six months.

UK engineering group hints at acquisition drive

By Tim Burt in London

The incoming chief executive of GKN, one of Britain's largest engineering groups, yesterday hinted at a more aggressive acquisition strategy following strong growth in the company's cash performance.

Mr CK Chow, headhunted earlier this year from BOC, the industrial gases company, suggested that GKN's balance sheet was strong enough to sustain a heavier investment programme at the automotive components, industrial services and defence equipment group.

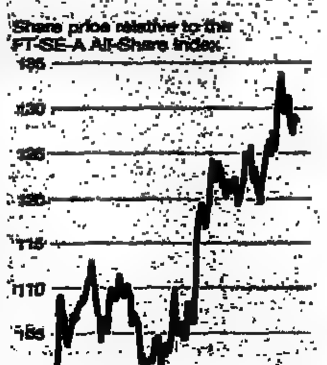
He was speaking as GKN announced increased pre-tax profits of £181m ($282.36m), up from £162.6m, on sales up from £1.67bn to £1.73bn in the six months to June 30.

Mr Chow does not officially become chief executive until January, when Sir David Lees becomes non-executive chairman. The Hong Kong-born executive yesterday praised Sir David's record at GKN, which he said had become more focused and better managed under his stewardship. "There is one thing we could change – we are now in a stronger position to grow both organically and by acquisition."

The company is thought to be considering acquisitions in the defence industry to bolster its interests in helicopter and armoured vehicle production.

After deducting advance payments for such defence equipment, the group's cash pile rose from £223m at the end of last year to £252m, while operating cash flow jumped from £125m to £141m.

GKN
Share price relative to the FT-SE-A All-Share Index



Source: FT Extel

Strong defence sales and rising demand for GKN's industrial services helped lift profits on continuing operations from £159.5m to £175.8m.

In the aerospace and special vehicles division, profits rose from £23m to £38m following increased deliveries of armoured vehicles and helicopters manufactured by the group's Westland subsidiary.

Further sales by Westland are expected by analysts to contribute to full-year profits of about £360m-£370m.

In industrial services, profits rose from £26m to £37m as the group enjoyed the benefits of a £90m investment to increase its distribution activities in Europe and North America.

Earnings per share rose from 28.1p to 31.7p, paying an increased interim dividend of 9.6p (8.75p). GKN's shares, which have risen sharply in recent days, fell 3p to £10.25.

Lex, Page 12

Write-backs distort Christiania result

By Hugh Carnegy in Stockholm

Profits at Christiania Bank, Norway's second-largest banking group, fell sharply in the first half, but the result was distorted by the continued after-effects of the loan-loss crisis of the early 1990s. Underlying earnings were significantly stronger, buoyed by the robust Norwegian economy.

The first of Norway's big banks to report for the period, Christiania – which is majority-owned by the state – said operating profits in the first half fell from NKr1.82bn at the same stage last year to NKr1.11bn ($173m).

The fall was caused by a drop in the level of gains achieved by writing back provisions against loan losses. Net gains from write-backs after provisions for new loan losses totalled NKr105m in the first half, compared with NKr966m in the same period last year.

However, the bank had long warned that the phenomenon of write-backs – which has also produced big gains in the last year for other Norwegian banks – was not sustainable. The markets had fully expected the write-backs to diminish and Christiania shares lost only NKr0.10 to NKr16.30.

Profits before write-backs rose, meanwhile, from NKr853m last time to NKr978m in the first half. In the second quarter, profits before write-backs increased from NKr401m to NKr480m.

Christiania attributed the improvement to the strength of the Norwegian economy.

Net interest income rose in the first half from NKr1.68bn to NKr1.7bn, while non-interest income was up from NKr634m to NKr768m.

On the cost side, Christiania said non-interest expenses rose from NKr1.46bn to NKr1.49bn. But the ratio of costs to income, excluding gains/losses on securities, fell in the second quarter from 65 per cent to 62 per cent.

Although net write-backs in the second quarter tumbled from NKr681m to NKr47m, some analysts expressed surprise at how long the trend of write-back gains was continuing. The second quarter was the sixth in succession which had produced net write-backs after a period of deep loan losses.

Christiania said in due course there would be a return to "normal" levels of net loan losses. But a spokesman added: "As long as the Norwegian economy performs along the lines it is now, there is no real reason which new loan losses should rise sharply."

Stora shrugs off 60% fall and sees signs of upturn

By Greg McIvor in Stockholm

Stora, one of Europe's leading forestry products groups, yesterday held out the prospect of an end to the downturn in the sector, saying that orders were increasing again and prices for most paper grades had reached bottom.

The Swedish group shrugged off a 60 per cent collapse in half-year profits from SKr4.1bn to SKr1.6bn ($242m) – some SKr200m below market forecasts – and said the business cycle had turned upwards, bolstered by inventory stabilisation and rising pulp prices.

Mr Lars-Ake Helgesson, chief executive, said orders improved "palpably" at the start of the third quarter and prices would not fall further. This assessment included newsprint, which represents about 40 per cent of profits and had its price cut by 5 per cent in the UK recently.

"Things look better across almost all our product lines. We believe that inventory rundowns have been completed," Mr Helgesson said. But he was at pains not to raise hopes of a rapid turnaround, saying that growth would depend largely on economic developments in Europe.

He also warned of a need for further consolidation in the industry, suggesting rationalisation would continue across the market, including Sweden. Stora's shares rose SKr0.5kr to SKr85kr yesterday.

Stora, the first of the big Scandinavian forestry groups to report first-half results, said orders for coated magazine paper (LWC) were weak, but a more positive trend was noted towards the end of the half. It said price rises in pulp would help lift prices of fine paper and, ultimately, of LWC.

Mr Mads Asprem, paper and packaging analyst at Morgan Stanley in London, said: "The fact that LWC prices have flattened is a very good sign because we thought they still might be falling." He expected pulp, fine paper and packaging grades to recover well in the fourth quarter, and predicted rising prices for the next two or three years.

Stora's sales fell from SKr29.4bn to SKr24bn, reflecting a 12 per cent decline in volumes and the stronger krona, which depressed turnover by SKr1.7bn.

The hardest hit area was pulp, which swung from a SKr927m operating profit to a SKr427m loss on sales SKr5.5bn to SKr3.8bn, pushing operating profits from SKr918m to SKr103m. Board and packaging-paper sales dropped from Skr5.6bn to SKr4.7bn, on sales of SKr603m, against SKr1.1bn.

Printing paper sales fell from SKr7.9bn to SKr7.4bn amid pricing pressures and production cutbacks in LWC, but operating profits rose from SKr1.1bn to SKr1.5bn.

Fine paper sales fell from

PROFILE

STORA

Market value: $4.09bn Main listing: Stockholm

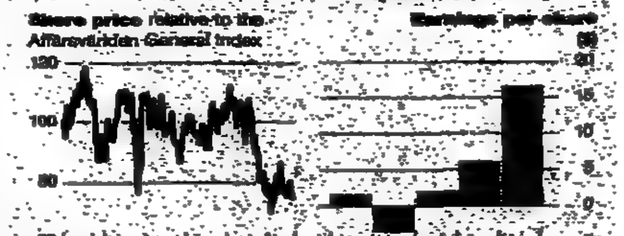
Historic P/E 4.7

Gross yield

Earnings per share SKr16.70

Current A-share price

Lars-Ake Helgesson, CEO



Iri takes first step in privatisation of Stet

By Robert Graham in Rome

Iri, the Italian state holding company, yesterday set in motion the process to permit Stet, the telecoms group which it controls 62 per cent, to hive off Seat, its lucrative yellow pages business.

Iri's move followed a board meeting held to discuss the government's decision on Tuesday to press ahead with the long delayed privatisation of Stet. The sell-off of Stet, which has a market capitalisation of almost L25,000bn ($16.5bn), has been fixed for between February 1 and March 31 next year.

The Milan bourse reacted negatively yesterday to the government's announcement, with shares in Stet and of its other quoted companies falling back after the sharp gains of recent days. Analysts voiced disappointment at the way the government had provided little detail. They believed this suggested the privatisation plans had to take account of objections from the unions and political parties to the break-up of Stet.

The first part of the privatisation process, agreed by the government and discussed yesterday by the Iri board, is the splitting off of Seat. At present Seat, with sales of L1,795bn ($1.18bn) in 1995 and employing 2,000 people, is merely a division of Stet. It will thus require an extraordinary shareholders' meeting of Stet in September to endorse the break-up. Although Seat's contribution to Stet's 1995 profit of L1,459bn has not been fully revealed, it is understood to have been close to a quarter.

Analysts said the removal of Seat could raise L3,000bn but its loss would be keenly felt by Stet.

Last night the treasury was preparing a letter of instruction for Iri laying down precise guidelines for the Stet privatisation. These start from the premise that the state will retain a golden share and that there will be a core of stable shareholders.

For a year Stet has been holding talks with IBM, the US computer giant, on a various forms of alliance. The Italian telecoms group has also begun looking at the prospects of bringing in Cable and Wireless of the UK as a shareholder.

The instructions are also expected to stress that the core telephones business Telecom Italia (cable) and TIM (mobile) will be kept together, and will set out whether or not the various quoted companies within Stet will merge. The treasury must also spell out the timing and options available for the split off of other non-core businesses.

Lex, Page 12

Akzo slips 4.4% in second quarter

By Simon Kuper in Amsterdam and Jenny Luesby in London

Akzo, the Dutch chemicals and pharmaceuticals group, yesterday pointed to a decline in Europe's textiles industry as the main reason for a 4.4 per cent fall in the group's second-quarter net profits.

Pre-tax profits of Fl 482m ($292m), on sales up 4 per cent at Fl 5.82bn, were in line with analysts' expectations and well received by the markets. Shares reached a day's high of Fl 193.00, before closing up Fl 1.00 at Fl 189.70.

Analysts had anticipated a Fl 200m decline in the group's oral contraceptive sales, following regulators' reports that the group's low-dose third-generation pills increased the risk of dangerous blood clots. In fact, sales fell by just Fl 70m, with "the negative effect concentrated in Germany and the UK," according to Mr Syb Bergsma, management council member.

Results were also lifted by a better-than-expected performance in the coatings division, where operating profits rose by 13.5 per cent to Fl 193m, on sales up 8 per cent at Fl 1.95bn.

However, this was more than offset by a 72 per cent decline in the fibre division's profits, to Fl 15m, on sales down 5 per cent at Fl 888m.

Fibre consumption by European manufacturers had fallen by 15 per cent since last year, Mr Bergsma said. However, the group expected the fibres division, which accounts for 16 per cent of group sales, to break even in the third quarter.

In the chemicals division, second-quarter profits were static, as they were in pharmaceuticals.

Looking ahead, Mr Bergsma was upbeat about Puregon, Akzo's biotechnological fertility hormone to be launched later this year, and Remeron, an anti-depressant recently launched in Europe and going on sale in the US this week.

The group expected full-year profits to be virtually the same as last year.

NEWS DIGEST

Hoogovens upbeat in spite of 54% fall

Net profits at Hoogovens, the Dutch steel and aluminium producer, tumbled 54 per cent to Fl 139m ($83.47m) for the first half of 1996, from Fl 303m a year ago. But the shares gained 7 per cent to Fl 61.20 because the fall was smaller than expected, and because the group forecast higher second-half demand. "Stocks held by our customers have reverted to normal levels," it said. Orders had recovered in recent weeks. Mr Hans Bluygers, analyst at merchant bank Kempen, said: "Hoogovens is approaching the turning point."

The group forecast Fl 142m in net profits before exceptionals and post-tax charges for the second half, the same as in the first six months. Sales fell 10 per cent to Fl 3.77bn, with steel turnover down 9 per cent to Fl 2.55bn. Hoogovens said steel prices fell almost to 1993 levels, "the low point of the previous economic cycle". The division's net profits dropped 54 per cent to Fl 193m. But this was "a satisfactory result", due to cost cuts in recent years. Mr Maarten van Veen, chairman, said Hoogovens Steel was "less sensitive to the economic cycle" than in 1993.

Aluminium net profits fell 69 per cent to Fl 25m, due to weak demand, high supply, and low primary metals prices. Hoogovens expects to invest Fl 600m this year, after a period of cutbacks prompted by three years of losses in the early 1990s. But the group aims to cut staff numbers at its Ijmuiden steel works by 2,000 to 8,500 over the coming years. Earnings per share fell 57 per cent to Fl 4.08. *Simon Kuper, Amsterdam*

Tabacalera shares tumble

Tabacalera, the Spanish tobacco group which is on the government's privatisation list, took a further battering on the stock market yesterday as a consequence of higher tax levies and an escalating price war. A 3 per cent drop in the share price from Pta5,320 to Pta5,070 brought the fall since tax increases were announced less than two weeks ago to 23 per cent.

The market reversal for Tabacalera, where it was a star performer earlier in the year, means a sharp reduction in the government's potential revenue from privatising its remaining 52 per cent stake. At yesterday's closing price this stake was worth Pta97.75bn ($776m) compared with a peak value of Pta129.18bn in mid-July.

Selling pressure mounted when Tabacalera announced it would not add the tax increases to retail prices on its Virginia-tobacco cigarette brands, including the Spanish market leader Fortuna. The higher levy, imposed along with increases in spirit taxes to make up a government budget shortfall, would normally have raised the price on a Fortuna packet by 20 per cent from Pta200 to Pta240.

Tabalacera holds a de facto Spanish monopoly on retail tobacco products, but there is increasingly fierce competition between brands. Philip Morris of the US has reversed a plan to raise prices on its Chesterfield and LM brands in Spain after the tax change. Higher prices could give a fresh boost to the contraband trade, which last year accounted for an estimated 12 per cent of the Spanish market. *David White, Madrid*

Kvaerner holds inquiry

Kvaerner, the Norwegian shipbuilding and engineering group, has launched an internal inquiry into how a 20-year-old temporary worker was able to remove thousands of documents from its computer system. The company, which declined to name the employee, said it was co-operating with a police investigation into the alleged theft.

Lawyers representing the Kvaerner worker, however, denied that he had been involved in any wrongdoing – adding that their client had returned the computer information to the company. They pointed out, moreover, that he had not been detained or questioned by police, although officers searched his home this week.

Kvaerner stressed yesterday that the case was not related to an action by Davy International, a UK subsidiary, which is seeking damages from VAI of Austria following the alleged theft of thousands of confidential documents from its former headquarters in the south of England. VAI, a competitor of Davy's metals processing business, has vowed to fight that lawsuit. *Tim Burt, London and Hugh Carnegy, Stockholm*

Slack demand hits De Rigo

De Rigo, the world's second-largest producer of quality sunglasses, saw first-half net direct sales of frames stationary at L167.8bn ($110.3m). But components and accessories declined to L5.5bn from L8.9bn. The performance reflected slack demand in the Italian market where the proportion of total sales declined from 39 per cent to 31 per cent.

Exports rose 8 per cent but the benefits of this were offset by a stronger lira during the first six months of this year, the Belluno-based group said. Sunwear represented 90.2 per cent of sales compared with 89.6 per cent during the same period in 1995. *Robert Graham, Rome*

Strong rise in L'Oréal sales

Shares in L'Oréal rose yesterday after the company reported an 11.7 per cent rise in sales for the first six months of 1996 to FFr30.12bn ($5.96bn). "A growth rate in excess of 10 per cent when the others are showing on average 2 to 5 per cent is good," an analyst said.

Another analyst said the sales figures were not a surprise. L'Oréal's first-half cosmetics sales rose to FFr24.52bn from FFr21.96bn. Sales from its pharmaceuticals subsidiary Synthelabo rose to FFr5.12bn in the first half of 1996 from FFr4.62bn. *Reuter, Paris*

ING eyes US expansion

ING, the Dutch financial services group, said yesterday it was still interested in expanding its US business through takeovers, but declined to comment on its unsuccessful attempt to buy First Colony. Earlier this week GE Capital agreed to buy First Colony for $1.8bn. Several other bidders apparently had expressed interest in First Colony, including ING and Equitable Cos, industry sources said earlier.

ING said it was aiming for a reshuffling of its turnover breakdown per geographical sector. Last year the group generated about 70 per cent of its Fl 41.20bn turnover from business in the Netherlands. "The dispersal should become 60 per cent from the Netherlands and 40 per cent international," the spokesman said. *Reuter, Amsterdam*

Polish bank in talks with IFC

Wlasnosci Pracowniczej (BWP), a small Polish bank, is in talks with the International Finance Corporation about its possible equity investment in the bank, the BWP president said. Mr Kazimierz Glowacki said the IFC was also discussing a participation of a US bank specialising in services to small business in an investment which could reach $10m.

Mr Glowacki said the bank, which after six months of this year had assets of 8.4m zlotys ($3.1m) and a balance sheet total of 58.2m zlotys, wanted to buy Agrobank from its receiver.

BWP, based in the port city of Gdansk, is owned by 38 institutions and its largest shareholders are Gdansk refinery Rafineria Gdanska with a 27.9 per cent stake and Gdansk repair shipyard Gdanska Stocznia Remontowa with a 26 per cent stake

Listed Wielkopolski Bank Kredytowy and large state-owned Bank Zachodni each hold 9.3 per cent of BPW. *Reuter, Gdansk*

Nestlé's portfolio of possibilities

Many peripheral businesses could be worth more to other owners

Like the attic of a thrifty Swiss burgher, Nestlé's huge product portfolio is crammed with possessions. But the generation moving into leadership are showing no signs of wanting to shed more peripheral businesses.

Admittedly, Nestlé sold its wine business last year for an undisclosed sum. But what British vinegar, German pork and Italian crispbread have to do with Nestlé's core products of coffee, confectionery, mineral water, milk, ice cream and pet foods is a mystery to many analysts and investors.

Just five products account for 35 per cent of Nestlé's European sales, 10 for 50 per cent and 18 for 75 per cent, according to an analysis by Goldman Sachs. Thereafter, the portfolio tails off through more than 20 other products making up the final 25 per cent.

Most of the lesser items, forming the longest tail of any leading food producer, have little to recommend them. Typically they achieve only minuscule market shares, geographic spread or profit in the greater group context.

Money is not a problem: free cash flow (after dividends and renewal of fixed assets) will be SFr1.3bn ($1.07bn) this year, estimates Mr James Amoroso, of Crédit Suisse in Zurich.

But managerial focus is, particularly for a multinational that still gives country managers autonomy. Moreover, lacklustre businesses only blunt Nestlé's efforts to hit demanding group targets such as 4 per cent a year volume growth and a return on capital better than 15 per cent.

Nestlé argues that products deserve to stay if they contribute reasonable profit with minimal managerial effort. But the size of the underperforming rump is hard to estimate. It could total as much as 10 per cent of Nestlé's portfolio, some analysts guess.

"We do not recognise that figure," Mr Helmut Maucher, Nestlé chairman who hands over as chief executive to Mr Peter Brabeck next June, said in a recent interview. "We always distinguish between where we are investing and do not have an adequate return yet, and where there is no hope." The second category accounts for about 5 per cent of sales, some SFr3bn, he said.

Processed meat is the only large category which Nestlé identifies as one it would consider selling. It contributed operating profits of SFr55m on sales of SFr1bn in 1995, Mr Amoroso estimates. If these meats, with an operating profit margin of 5.5 per cent, had not been in the portfolio, group margin would have risen from 9.7 per cent to 9.8 per cent last year.

About 80 per cent of the meat business is in Herta, a German-based business. Nestlé likes part of the business, such as its higher margin products and chilled distribution chain, but would consider offers for the upstream primary processing and simpler processed meats, such as sausages and salami.

Nestlé has signalled its willingness to sell its meats, but the only offer to date is for Vismara, an Italian producer of ham and other meats, Mr Maucher said.

The most likely buyer of the meat businesses is Sara Lee, of the US. It has targeted European processed meats as a strategic imperative and has been acquiring companies. Neither company would comment.

Deeper in the Nestlé portfolio is a trove of small businesses that could be worth more to other owners. In the UK, for example, it owns Gales honey, Sun Pat peanut butter and Sarsons vinegar: strong niche brands, but in areas where Nestlé has no apparent interest.

In other areas, synergy may be a valid reason for keeping something. Buitoni dried pasta, for example, has a small and unprofitable share of the Italian market. But Nestlé bought Buitoni and built up a range of high-margin sauces to accompany the pasta.

Helmut Maucher: guided Nestlé through large acquisitions

Selling assets is only one tool for shaping portfolios. More important are acquisitions and canny management. Over the past 15 years under Mr Maucher, Nestlé has made large acquisitions, such as Perrier of France as part of a SFr3bn diversification into mineral water, and of Rowntree in the UK to double its confectionery business and to take it into impulse-purchase snack chocolates.

On management, Nestlé has poured resources into developing chilled foods almost from scratch. Buying Chambourcy in France in the 1980s gave it a big yoghurt brand and chilled distribution. But yoghurt became increasingly a commodity business, so Nestlé shifted into higher value chilled deserts and bio-tech enhanced yoghurt, while moving products from the Chambourcy to Nestlé brand.

Nestlé is prepared to invest for decades to reach critical mass. Its patient stalking of L'Oréal in cosmetics and San Pellegrino in water is typical. Ice cream and pet foods, however, are the top two products in its portfolio which it has targeted for rapid development. Particularly in Europe, they lack powerful market shares and lag behind the leaders – Unilever in ice cream and Mars in petfoods.

Only in Italy and France does Nestlé have reasonable petfood market positions with 23 per cent and 15 per cent, respectively, making it second to Mars. A new pan-European management team for petfoods, however, is wringing more from the business. Petfood sales rose 14 per cent to SFr413m in the first half of this year.

Acquisitions will play a part in building petfoods in Europe to complement the number one position it has in the US. Nestlé said it has twice had inconclusive talks with a company it declined to identify, and could well talk to it again.

Competitors believe the target is Royal Canin in France, owned by Paribas, which has an 8 per cent market share and may be worth about FFr800m ($158m). Acquiring it would make Nestlé a credible second to Mars.

Such in-fill acquisitions fit the strategy of Mr Maucher and Mr Brabeck to achieve Nestlé's overall growth one-third by acquisition and two-thirds by organic growth. They pose no financial strain, one London analyst says, but might make the company more aware of the benefits of shedding peripheral businesses.

Roderick Oram

صكنا من الاصل

Indosat growth slows to 6.4% in first half

By Manuela Saragosa in Jakarta

Growth in net profit at Indosat, the Indonesian state-controlled international telecommunications company, slowed to 6.4 per cent in the first six months of this year.

Analysts said the low growth was caused largely by a slowdown in the expansion of revenues from international calls. In the same period in 1995, net profit rose 73 per cent. Much of last year's growth came from interest income, which has been declining as the company has increased capital expenditure.

Net profit in the first half of 1996 rose from Rp220.9bn to Rp235.1bn ($100.4m). Operating profit rose 15.4 per cent from Rp242.6bn to Rp279.9bn.

Revenues from international calls in the first half increased by 14 per cent from Rp467.5bn to Rp532bn, compared with growth of 17 per cent in the first six months of 1995.

Analysts said slowing expansion in revenue from the company's core business was caused by a trend for international telecoms companies worldwide to cut their call tariffs.

Mr Tjahjono Soerjodibroto, Indosat's president-director, said he was "confident" that performance would not be significantly affected by the declining trend in international call charges and increasing competition.

Other analysts said that Satelindo, a local satellite telecoms company which competes in the international market, was capturing market share from Indosat.

Earlier this year, Indosat said it expected that Satelindo would have between 10 per cent and 12 per cent of the market by the end of 1996. Indosat has a 7.5 per cent stake in Satelindo, and competition between the two groups is limited to marketing strategies rather than prices.

Indosat said other income in the first six months of this year fell 24.1 per cent to Rp42.4bn, because of a loss in investment income and depreciation of the Singapore dollar against the US dollar.

Interest income has been declining as Indosat has spent cash on improving international telecoms facilities and other projects supporting its core business. Cash for these investments has been taken from funds which the company raised in 1994, when it was partially listed in New York and Jakarta.

Indosat placed much of the money raised in time deposits, which lifted net income in 1995 to Rp459.4bn.

Mexico's banks seek foreign partners

Need for fresh capital spurs the search for overseas allies

Mexican banks have stepped up the search for strategic foreign partners as they rush to complete recapitalisation programmes before the end of this year.

While second-quarter results suggest most banks are recovering from last year's financial turmoil, with bad loans stabilising and capitalisation levels improving, most sights are now set on how the banking system will cope with tough new accounting rules, which take effect early next year.

The transition to US accounting practices has unleashed a race within the banking system to produce the balance sheet with the highest provisions against bad debts. And it is the search for fresh capital which has many Mexican banks inviting foreign partners to acquire sizeable stakes in their institutions.

"I would not be surprised if foreign banks owned 50 per cent of the Mexican banking system in about five years," says Mr Ricardo Guajardo, chief executive of Bancomer, Mexico's second-largest bank. Earlier this year, Canada's Bank of Montreal acquired a 16 per cent stake in Bancomer for $500m.

Bank of Nova Scotia, which last month took management control of Inverlat, Mexico's fifth-largest bank, will be building its shareholding until it reaches 51 per cent by the year 2000.

Banco Bilbao Vizcaya of Spain, which took over Mexico's Probursa last year, has expressed an interest in acquiring parts of Cremi and Oriente, two small banks under central government intervention. Another Spanish bank, Santander, may also seek to expand in Mexico.

Serfin and Mexicano, the country's third and fourth-largest banks, are also looking for foreign partners.

Serfin, which posted losses of 2.72bn pesos ($361m) in the second quarter, is receiving temporary support from J.P. Morgan. The US investment bank acquired $290m of government-guaranteed convertible debentures, equivalent to 20 per cent of Serfin's capital, and agreed to hold them for 18 months while it looks for a more permanent foreign partner.

Serfin had set aside more than 3bn pesos of provisions to cover the full extent of its non-performing loans.

It wrote off 500m pesos of credit card and commercial loans in the second quarter. Even after the write-offs, however, Serfin's past-due loans still grew by 1.96bn pesos, or 27.5 per cent.

Bancomer was the first of Mexico's main banks to provide fully against bad loans. It created extraordinary reserves of 2.76bn pesos in the first quarter of 1996 and a further 1.4bn pesos in the second quarter. After write-offs of 895m pesos its past-due loans grew by only 2.5 per cent in the second quarter.

Mr Guajardo says he made the provisions in preparation for the move towards US accounting practices in January 1997. Mexican banks only record as "past-due" those loan installments not paid after 30 days, while the remaining balance is considered current. The new rules will require banks to record the entire loan as past-due if no payment has been received for 90 days.

These rules are expected to show a sharp increase in the number of mortgages in default, hitting Banamex and Bancomer, which hold the biggest mortgage portfolios, particularly hard.

"The key to a soft landing in the transition to US accounting rules is a successful restructuring of the mortgage portfolio," Mr Guajardo says.

Banamex topped the profits league in the second quarter, but was criticised for not setting aside more provisions against bad debts.

It recorded a net profit of 717m pesos in the second quarter, 25 per cent higher than in the first quarter of 1996. But its past due loans also grew by 5 per cent to 11.96bn pesos, while coverage of past-due loans, at 86 per cent, is significantly lower than its peers.

Salomon Brothers, the US investment bank, criticised Banamex's management, saying: "We believe Mexican banks should strengthen their balance sheets above and beyond the level required in normal circumstances. Markets will not necessarily reward higher earnings more than higher provisions."

Mr Roberto Hernández, director-general of Grupo Financiero Banamex-Accival, which owns Banamex, says debt relief schemes are working better, and that problem loans are close to being stabilised.

But Mr Hernández admits that the bank is still sorting out the wheat from the chaff.

"We need to distinguish between clients who were hit by the recession and high interest rates and those who were no-hopers even before the crisis began. Last year's financial crisis blurred the difference between the two kinds of debtor."

Leslie Crawford

Ricardo Guajardo: provisions made ahead of move towards US accounting practices Reuter

YPF beats forecasts in second quarter

By David Pilling in Buenos Aires

Higher crude oil prices and an improved performance by its Maxus subsidiary helped YPF, Argentina's hydrocarbons group, achieve better-than-expected second-quarter profits of $223m, marginally above the $219m in the same period last year.

Second-quarter operating profits leapt 55 per cent to $388m, but were offset by higher tax charges and the cost of financing the $1bn debt associated with last year's acquisition of Maxus, a US oil group. Under the terms of its 1993 privatisation, YPF paid virtually no tax until 1996, but in the first six months of this year it has paid $152m.

Operating income for the first half rose 44 per cent to $680m, though profits dropped to $368m against $402m a year ago.

Earnings per share for the six months fell 8.7 per cent to $1.04, but for the second quarter rose from 62 cents to 63 cents.

"These results were better than the market consensus," said Mr Daniel Tassan-Din, director of research at Deutsche Morgan Grenfell in Buenos Aires. "We continue to have a very positive view of the company, which has been confirmed by these figures."

Mr Nells León, YPF president and chief executive officer, said the group had achieved "record operating income" in the second quarter thanks to "higher crude oil volumes and prices, improved natural gas prices, increased Maxus operating income and cost-reduction efforts." This "more than offset lower petroleum product margins".

"We are particularly pleased with Maxus's operating improvement over past year," Mr León said.

DMG's Mr Tassan-Din said Maxus, which has hydrocarbons operations in the US, Indonesia and Latin America, had benefited mainly from higher petroleum prices, rather than from dramatic efficiency improvements. Second-quarter operating income at Maxus rose 40 per cent to $49m from last year, while losses after financial costs were cut from $25m to $9m.

Nevertheless, investors were still awaiting Maxus's expected joint venture with a US group in the Texas Panhandle and Oklahoma, where it processes and distributes gas. The deal, which YPF had hoped to have already concluded, is expected to cut costs significantly.

Although some investors remain unconvinced of the wisdom of the Maxus purchase, most believe YPF is correct in its drive to expand internationally.

YPF, which was the first big Latin American hydrocarbons group to be privatised, is thought to have the necessary scale and expertise to take advantage of new opportunities in Latin America's gradually liberalising oil and gas sector.

ICTSI lifted by Philippine trade volumes

By Edward Luce in Manila

International Container Terminal Services (ICTSI), the Philippines' largest cargo handling group, attributed strong net profits growth in the first half of 1996 to the country's rapidly growing trade volumes.

The company – which controls about 75 per cent of the country's container traffic and owns its largest terminal, at Manila harbour – said net profits rose by 34 per cent to 192m pesos (US$7m) in the first six months of 1996. Revenues grew by 21 per cent to 1.24bn pesos while operating expenses grew by 17 per cent to 858m pesos.

Most of the growth was attributed to higher volumes, with the number of TEUs (twenty-foot equivalent units) handled rising by 20 per cent to 404,000 – in line with overall Philippine trade growth.

The company's shares – trading at a relatively expensive p/e of 26 – closed 4 per cent up yesterday at 17.50 pesos, but below the record high of 20.5 pesos.

Mr Chris Hunt, head analyst at W.I. Carr in Manila, said the company's growth was strongly linked to the country's export/import industry, which is growing quite strongly this year. "In the absence of many direct manufacturing stocks on the Philippine Stock Exchange, ICTSI is also one of the best plays on the country's growing export-oriented manufacturing sector," he added.

Some analysts say that the company's high gearing ratio – its debt-equity ratio stands at more than 130 per cent – puts a question mark over the short-term attractiveness of the stock.

The company has a growing international profile. It has stakes in the recently-privatised ports of Karachi, Veracruz, in Mexico, and Buenos Aires. Brokers say the rising capital costs of its overseas ventures and the development of a US$100m inland container terminal near Manila would keep debt at a high level in the medium term.

The construction of a sixth berth at its terminal in Manila should lift volumes in the second half of 1996. Year-end net profits are expected to reach 450m pesos. Profits in 1995 were 320m pesos, up 57 per cent from the previous year.

Goodman Fielder warns of A$75m abnormal charge

By Nikki Tait in Sydney

Goodman Fielder, the largest food manufacturer in Australasia, yesterday warned that it would make only a "modest net profit" for the year to end-June, after taking an abnormal charge of about A$75m (US$58m) to cover asset write-downs and rationalisation expenses.

Excluding these items, however, the company said that it expected a slight improvement in after-tax profits. Goodman made A$97.3m on sales of almost A$4bn in 1994-95, and profits have been at about this level for the past six years.

The company has made numerous management changes since Mr David Hearn was brought in as chief executive in 1995 from United Biscuits of the UK, and analysts had hoped for significant progress in the 1995-96 financial year. However, expectations were scaled back last year, and yesterday's news left Goodman's share price unchanged at A$1.30.

Goodman did not detail all the likely abnormal charges, but said that the biggest item would be a A$25m after-tax write-down of its poultry assets. This division has struggled recently, and in the first half reported earnings before interest and tax of only A$3.2m, down from A$9m a year earlier, on sales of A$248.2m.

Other expected charges include a A$14m write-off of capital and commissioning costs at a new gelatin facility, and a A$14m write-down in Goodman's Asian operations.

Items here include the costs of discontinuing the Smartino snacks joint venture in Indonesia; losses resulting from a decision to pull out of a Vietnamese flour-mill project; and the "reassessment" of the carrying value of the Sinar Meadow oils operation, also in Indonesia.

The company's warning came after several days of heavy trading in its shares, with traders speculating that New Zealand-based Brierley Investments was continuing to offload its stake – which has already dropped below 5 per cent.

● Colly Farms, one of the largest cotton companies in Australia, is postponing its planned stock market debut at least until next month. The company blamed the delay on volatile markets and technical issues surrounding the flotation which needed to be finalised.

Colly had been expected to list on the Australian Stock Exchange this month, although a prospectus had not been lodged.

MCI sees the future in 'one-stop' services

The future of the communications industry, according to MCI, the US telephone company, comes in a box – a blue and white cardboard box, ordered by phone and delivered to your house.

It contains a cellular phone, a pager and a phone card, with software giving you an e-mail address and plugging you into the Internet. Everything works on one phone number and is paid for on one monthly bill. If anything goes wrong, you call one service number.

Called MCI One, the package was launched in the US in April. The response from MCI's competitors has been one of grudging respect tinged with irritation. They can and will, they say, provide the same services if customers want them.

But, they add, the package has to work properly. MCI One is assembled from a number of different suppliers. If you call the MCI One service number, competitors claim, the response is sometimes chaotic.

To the extent that this is true – and MCI denies it – it is a mere teething problem. The real issue is more fundamental. In essence, MCI One is a one-stop shop: a concept which has been tried, with varying success, in industries ranging from travel to financial services.

In one recent glaring example, the US brewer Anheuser-Busch started making snacks, on the basis that people who drank beer also ate pretzels and peanuts. The result was so disastrous that in February, Anheuser said it would close the business, Eagle Snacks, at a cost of more than $200m.

The question what, from the point of view of the customer, belongs together is complicated in US telecommunications by the fact that for more than a decade, providers of long-distance telephony were prohibited from carrying local calls, and vice versa. With this year's deregulation, that distinction has been abolished.

The average US customer is now expected to revert to taking local and long-distance telephony from the same source. The question is how many other services will be wanted on top. Here the US phone industry is divided.

"The problem about the one-stop shop," says the chief executive of a local phone company, "is that you're trying to push people into a yes-no position on every service. The trick is to offer a full service, but not be arrogant enough to expect everyone to buy all of it."

MCI would not disagree. MCI One comes in various forms, from a simple package to one involving the lease of a personal computer and a link for monitoring home security. "Think of it as a Chinese menu," says Mr Tim Price, MCI's president of telecoms.

But perhaps the whole one-stop concept is flawed. This is the view of AirTouch, the San Francisco-based cellular phone company.

"Getting everything from one company," says Mr Ujjal Kohli, AirTouch's head of US marketing, "gives the illusion of simplicity. What customers really want is the assurance they're not being taken. And as a customer, do you really want one company as a single point of failure which could shut down your life?"

Mr Kohli adds that one-stop customers, in whatever market, demand a discount. As a supplier, what savings are you achieving to pay for that?

Simple, says MCI's Mr Price: reduce the rate of churn, or customer defection. Churn is one of the industry's biggest problems, worsened by the phone companies' habit of bribing customers to change supplier.

Mr Price maintains that the more services customers take from MCI, the more loyal they prove. "As marketers, we have to be able to price [MCI One] at a point where, at the end of the customer life, you're better off".

MCI is one of the most adroit marketers in the industry. Its competitors cannot be sure it is wrong this time.

Tony Jackson

NEWS DIGEST

Coca-Cola Amatil up 26% at midway

Coca-Cola Amatil, the Australia-based soft drinks group with bottling interests spanning Australasia, Asia-Pacific and eastern Europe, yesterday announced an after-tax profit of A$58.9m (US$45.7m) for the six months ended June 30. This compared with A$46.7m in the same period of the previous year, a rise of 26.1 per cent, and was scored on a slightly larger 32.5 per cent increase in sales, at A$1.79bn. However, earnings per share rose more modestly, from an adjusted 11.3 cents to 11.7 cents.

CCA said the profit was struck after A$7.8m of retirement and redundancy expenses, mainly among senior management, but it also enjoyed an A$8.9m boost as part of a damages award won in legal proceedings against New Zealand's Lion Nathan.

On the trading front, the company said the results had been "solid", in spite of particularly poor weather in some regions and strong competition. Australia, which remains the company's largest single market, saw an 8 per cent increase in sales volume, a 10 per cent rise in sales revenue, and a 7 per cent improvement in operating profit, at A$79.2m.

The Asia-Pacific results continued to be driven by the extremely strong growth in Indonesia, although New Zealand and Papua New Guinea also performed well. Overall, results from this region showed an increase in sales from A$259.7m to A$299.9m, and a rise in trading profits from A$27.2m to A$29.1m.

In Europe, results were boosted by acquisitions, and showed sales up from A$503.1m to A$841.6m and trading profits of A$40.7m, against A$28.7m. However, the group reported growth in most markets and said that the Romanian business, acquired in the second half of 1995, had made a "strong contribution". *Nikki Tait, Sydney*

ValuJet set to fly again

ValuJet, the US low-cost airline that was grounded in June after one of its aircraft crashed, yesterday reported after-tax losses of $9.6m for the second quarter compared with profits of $16.9m a year earlier. But the company said it hoped to start flying again in the week beginning August 19, subject to the Federal Aviation Administration's approval.

Last month ValuJet said it expected to have some of its aircraft back in the air as early as this week, but yesterday the company said the timetable had slipped because the process of obtaining clearance from the FAA had taken longer than expected.

Richard Tomkins, New York

US fertiliser groups to merge

Arcadian and Freeport McMoran, two of the biggest fertiliser makers in the US, announced a merger which will create a company with combined revenues of $2bn. Arcadian is the biggest maker of nitrogen-based fertilisers in the western hemisphere, while Freeport owns 51 per cent of Freeport McMoran Resources, a producer of phosphate fertiliser.

Under the terms of the deal, Freeport's shareholders will receive one share in a new merged company for each share they currently hold, while Arcadian's owners will receive 0.658 of a share. Freeport's shares slipped $¼ yesterday morning, to $36¼, while Arcadian's stock climbed $1⅝ to $22⅝, putting the stock market market value of each company at about $1bn.

Richard Waters, New York

Columbia/HCA ahead 13%

Columbia/HCA, the biggest hospital company in the US, registered a 13 per cent rise in second-quarter revenues to $4.9bn thanks in part to further acquisitions. That, and slower growth in its costs, translated into a 16 per cent improvement in operating earnings to $1.1bn.

Columbia's latest results were underpinned by a 10 per cent rise in revenues at its existing hospital facilities, reflecting higher admission levels. Also, the growth of lower-cost outpatient care resulted in revenues from this area rising to 39 per cent of the total, from 36 per cent a year before.

The Nashville-based company reported net income of $364m, or 81 cents a share, compared with a profit, before one-off items, of $313m, or 70 cents a share the year before. One-off refinancing and other costs led to an overall loss of $18m, or 4 cents per share, in the equivalent quarter of 1995. *Richard Waters*

Intel delays P55C launch

Intel, the leading producer of microprocessors for personal computers, said it will delay the introduction of its multimedia Pentium microprocessor until the first quarter of 1997 but that it does not expect the delay to affect PC Christmas sales.

The microprocessor, known as the P55C, was to have been launched in small quantities in the fourth quarter of this year. The delay will affect thousands of hardware and software companies who are working to produce P55C-based PCs and software applications.

"We had larger demand than we expected for the fastest version of the P55C so it made more sense to introduce it early next year when we could satisfy the demand," said Mr Frank Spindler, Pentium marketing manager at Intel.

The delay to the P55C should help PC makers in the crucial Christmas sales period since it will be easier to market PCs using fast versions of current Pentium microprocessors that would have otherwise competed with a smaller number of P55C based PCs.

Tom Foremski, San Francisco

Sudamtex posts 50% increase

Sudamtex de Venezuela, the textile group, reported a 50 per cent increase in profit for the year ended June 30 to $32.72m. The advance was achieved on an eight-fold leap in sales over last year to $169.5m. In addition, said Mr Alexander Furth, the Sudamtex president, results reflected new investments in plant and technology coming on stream, as well as efforts to cut costs and streamline operations.

He added that currency movements and "the way we managed our balance sheets and exposure" had also had a positive impact on gross profit. *Raymond Colitt, Caracas*

Eurotherm settles dispute

By Tim Burt

Eurotherm, the industrial controls manufacturer, yesterday bowed to pressure from institutional shareholders by appointing a new chairman and reinstating Mr Claes Hultman, the chief executive ousted in a boardroom battle last month.

The company said Sir James Hann – former chairman of Scottish Nuclear, the generator privatised recently as part of British Energy – would succeed Mr Jack Leonard, Eurotherm chairman for the past 14 years.

Mr Leonard, a co-founder of the group, has agreed to take early retirement following a campaign by institutional investors angered at Mr Hultman's removal.

The institutions – led by Mercury Asset Management, Schroders and Prudential – nominated Sir James in a bid to restore harmony to the Eurotherm board.

In what one shareholder described as an unprecedented move, the institutions said Sir James's arrival would clear the way for Mr Hultman's reinstatement and help the company "return to normality".

Mr Leonard, who was due to retire next February, is expected to receive a settlement based on the remaining seven months of his contract. He received a package worth £206,000 last year.

Sir James, who plans to spend seven days a month at Eurotherm, is expected to receive £75,000 a year.

He emphasised that he saw himself as an independent rather than a non-executive chairman and would have a say in strategy.

The row erupted after the non-executive directors claimed Mr Hultman had demanded to be made executive chairman, although the Swedish-born chief executive has consistently denied that ambition.

Institutional investors expressed relief that the situation had been settled and predicted that Mr Hultman would be able to maximise growth opportunities.

Sir James Hann: institutions welcomed appointment

Airtours makes Canadian buy

By Scheherazade Daneshkhu

Airtours, the UK's second largest package holiday operator, yesterday injected cheer into the holiday market with strong third quarter pre-tax profits and news of its C$21m ($15.3m) acquisition of Alba, a Canadian regional tour operator.

The shares rose 20p to 551p.

Pre-tax profits for the three months to June 30 rose from £13.5m to £19.7m ($30.7m) on turnover of £485.2m (£361.6m). However, the company reported a 16 per cent fall in summer 1996 bookings to August 3, which it said reflected its 15 per cent cut in capacity.

During 1995, margins were hit by an excess supply, making it one of the worst years for the travel industry.

The Federation of Tour Operators, which represents the largest operators, said the industry had cut capacity by 14 per cent this year.

Cumulative pre-tax losses for the nine months to June 30 fell from £21.4m to £11.4m, of which new businesses contributed £4.3m. The UK tour operations lifted pre-tax profits for the quarter 56 per cent to £10.9m (£7m); at Going Places, the group's travel retailing arm, they edged up to £2.7m (£2.6m).

Pre-tax profits in the Scandinavian business, excluding Spies, the Danish tour operator acquired in February, increased to £5.6m (£3.94m), due to a higher percentage of sales at brochure prices. Spies contributed £500,000.

The Canadian businesses broke even during the quarter, which is off-peak for Canada.

Metal Bulletin improves 39%

By Kenneth Gooding, Mining Correspondent

Metal Bulletin, the specialist international publisher, yesterday revealed bumper first-half profits and a 21 per cent dividend lift.

Mr Trevor Tarling, chairman, said the company would produce good full-year results but investors should not expect profits to grow at the same rate in the second half. The shares rose 63p to £10.63.

Contributions from a book published every three years and a conference held every two coincided in the first half so, while pre-tax profit rose 39 per cent from £1.46m to £2.04m ($3.18m), the underlying rate of increase was about 20 per cent.

The company planned heavy development expenditure in the second half on Internet-based services for shipping and metal trading. Mr Paul Vincent, finance director, said spending on this in the first half was about £50,000 and would rise to £250,000 in the second.

It paid £1.2m in April for 49 per cent of the Sea.Net information service for shipping and has the option to increase this to 80 per cent in 1998. Sea.Net, originally launched by JE Hyde, the shipbroker, was also being used to help develop Metal Bulletin's wholly owned Metal.Net service. Mr Vincent said the Internet businesses, for which users paid subscriptions, were expected to break even by the middle of next year.

Cash flow covered virtually the entire whole cost of the Sea.Net stake. At June 30 the company MB had cash of £10.2m (£9m).

CU could expand in eastern Europe

By Ralph Atkins, Insurance Correspondent

Commercial Union, the composite insurer, is considering expansion into Russia and the Czech Republic as part of a strategy of reducing its reliance on an increasingly tough UK market.

The news emerged as Mr John Carter, chief executive, unveiled a smaller than expected fall in half-year operating profits from £248m to £216m ($337m) after a £56m increase in US and UK weather claims.

CU reiterated its determination to reduce UK expenses by 5 per cent a year. It argued it had a large cost advantage over its larger rival, Royal & Sun Alliance. Mr Cees Schrauwers, responsible for UK non-life operations, said: "Our strategy will make sure that we will be able to maintain, probably not all, but part of our differential."

Eastern European expansion would follow the success of CU's Polish life operation, established in 1992. Many western insurers have eschewed eastern Europe because of the risks involved. But Mr Tony Wyand, executive director, said CU's success in Poland meant "we have a lot of confidence that we can extend this model elsewhere".

The Czech and Russian ventures would probably focus initially on life insurance. Overall, 43 per cent of CU's premium income comes from life activities, which produced a 14 per cent rise in first-half profits to £117m.

Abbey National advances to £558m

By Motoko Rich

Shares in Abbey National dropped 14p to 587p yesterday, reflecting market concerns about a fall in the former building society's core mortgage market share and a staid profit performance in its retail banking arm.

Pre-tax profits in the six months to June 30 rose 16 per cent to £558m ($870m), masking the sluggish 1.6 per cent increase to £321m in the retail banking division.

The company's share of net lending in the UK mortgage market fell from 4.2 per cent in the first half last year to 3 per cent this year.

Lord Tugendhat, chairman, said the group did not want to build market share at the expense of quality lending.

"One of the best things this company did was not to chase market share in the late 1980s because it meant that we escaped much more lightly than others on repossessions, arrears and bad debts," he said.

Tony Andrews

Peter Birch: growth elsewhere offset retail banking side

The group also suffered a net outflow of liquid savings of £1.3bn. Mr Peter Birch, chief executive, said weakness on the retail banking side was offset by strong performances in life insurance, investment and Treasury products, which accounted for 43 per cent of profits.

Liberty Intl pension move

By Motoko Rich

Liberty International, the newly renamed property and financial services group, is to launch a pensions company in the fourth quarter, capitalising on the customer base at its majority-owned shopping centre company.

The former TransAtlantic Holdings, which is 69 per cent owned by Liberty Life Association of Africa, the South African insurance group, hopes to sell pensions to some of the 150m customers of the out-of-town malls run by Capital Shopping Centres, the retail property company in which Liberty has a 72 per cent stake.

The shares rose 5p to close at 368p.

The foray into pensions follows Liberty's disposal last year to UAP, the French insurer, of its 50 per cent stake in Sun Life. As a result, the group has £556m cash to invest in new ventures. It could also make acquisitions on the investment side.

An 84 per cent jump in net rental income at Capital Shopping Centres helped raise interim pre-tax profits 12 per cent to £56.1m.

Earnings per share rose 55 per cent to 13.15p. This was largely because of a 15 per cent reduction in share capital due to the repurchase and cancellation last year of 40m shares owned by UAP, and a reduced tax charge.

Salvesen's kingsize headache

After rebuffing Hays' takeover approach, the directors have a lot to prove, says Ross Tieman

Directors of Christian Salvesen have a kingsize headache. Having turned down a takeover approach worth 405p a share, they now have to demonstrate that it undervalued the Scottish distribution and equipment hire business – even though analysts put the group's break-up value as low as 340p a share.

That is not to say Salvesen was wrong to reject the approach. But investors are keen for early reassurance that the shares do not now face three to four years in the doldrums. "I think the onus is very much upon the Salvesen board to justify their decision," said one.

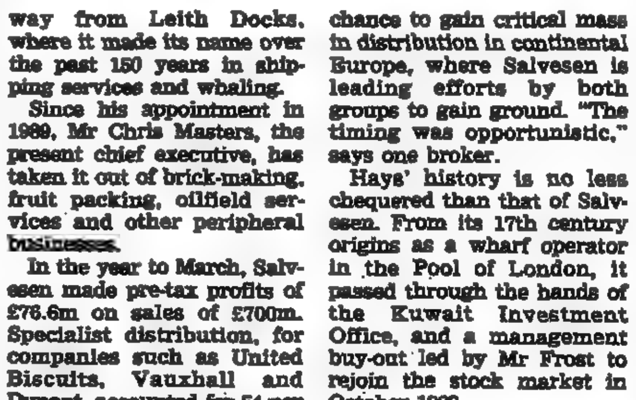
Salvesen is now examining a menu of options, ranging from a special dividend or share buy-back to a break-up, to deliver value to shareholders. Institutional investors remain to be convinced. "I don't see this situation as finished," said a fund manager. "I find it hard to see how they can come anywhere near the price Hays was offering."

Mr Ronnie Frost, the executive chairman of rival distribution and business services group Hays, has left himself a route to renew his wooing.

The takeover panel yesterday confirmed that, thanks to careful wording of its withdrawal statement, Hays will be able to rebid within 12 months, provided it obtains a recommendation from the Salvesen board or backing from some of the fragmented Salvesen family who together control 38 per cent of the shares.

If Salvesen fails to deliver, shareholders may thus give Hays the chance it seeks. Mr Frost timed his approach with skill.

After a two-year courtship, he popped the takeover question as Salvesen was nearing the end of a six-year restructuring.



Salvesen has come a long way from Leith Docks, where it made its name over the past 150 years in shipping services and whaling.

Since his appointment in 1989, Mr Chris Masters, the present chief executive, has taken it out of brick-making, fruit packing, oilfield services and other peripheral businesses.

In the year to March, Salvesen made pre-tax profits of £76.6m on sales of £700m. Specialist distribution, for companies such as United Biscuits, Vauxhall and Dupont, accounted for 54 per cent of profit. Aggreko, a specialist hire service providing portable power plants and refrigeration equipment generated 38 per cent, and the remainder came from food packing, cold storage and other food services.

After a string of profit warnings from the group over the past three years, analysts suggest Aggreko is now set for strong growth. Expansion into industrial markets and continental Europe is reducing the vulnerability of distribution to price competition among UK retailers.

Mr Frost saw a takeover as the springboard to consolidation of Britain's fragmented logistics industry, and a chance to gain critical mass in distribution in continental Europe, where Salvesen is leading efforts by both groups to gain ground. "The timing was opportunistic," says one broker.

Hays' history is no less chequered than that of Salvesen. From its 17th century origins as a wharf operator in the Pool of London, it passed through the hands of the Kuwait Investment Office, and a management buy-out led by Mr Frost to rejoin the stock market in October 1989.

Since then, it has become a market darling, growing fast to achieve pre-tax profits of £110m in the year to June 1995, on sales of £808m. Distribution in Britain, France and Germany provided 48 per cent of operating profit. Of the remainder, 24 per cent came from its employment agencies, and 28 per cent from document storage, mail delivery, overnight parcels distribution and container hire.

Mr Frost calculated that benefits from combining the distribution businesses would enable him to pay 390p a share for Salvesen, plus a special dividend of 15p a share. Investors say it was close to the knock-out price that Salvesen would have found irresistible. But not close enough. Any higher, and Hays' earnings per share would have suffered dilution.

Realising value for Salvesen shareholders will not be easy. According to one analyst: "Organic growth is no longer sufficient." Were it to sell Aggreko, analysts say Salvesen would face a hefty capital gains tax bill. But by one estimate, it could fetch £450m if it were spun off through a separate stock market flotation.

Alternatively, they suggest, Salvesen might be able to sell and lease back some of Aggreko's portable plant, freeing cash for either a share buy-back or distribution to investors through a special dividend.

But options for the food processing business, although outside its core, are limited. Prices for such operations remain weak. According to one analyst: "The answer is to run it for cash – as Hays would have done." Despite being rebuffed, Hays has emerged with its reputation intact. "They said they would not overpay and they have stuck to their word," said one broker.

If a takeover of Salvesen is impossible, Hays is expected to concentrate upon bolt-on acquisitions, for up to £100m, to develop its distribution business in northern Europe. But it may not come to that.

"I find it very hard to see how the Salvesen board are going to deliver more value to shareholders than Hays offered," a broker said. To retain the loyalty of its investors, both family and institutional, Salvesen must first close the credibility gap.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abbey National	6 mths to June 30	-	(-)	558	(483)	27.6	(24.7)	8.7	Oct 7	7.25	-	21.75
Airtours	9 mths to June 30	1,095	(788)	11.4L	(21.4L)	8.91L	(15.74L)	-	-	-	-	14
Applied Dist	6 mths to June 29	28.1	(18.2)	0.244♠	(2.23)	0.5†	(4.9)	1.5	-	1.5	-	4.5
CU	6 mths to June 30 ★	4,589□	(4,428□)	280	(275♠)	25.3	(29.4)	11.45	Nov 15	10.7	-	28.25
Crown Eyeglass §	Yr to Mar 31	10.5	(7.29)	0.929♥	(0.597)	38.9	(24.4)	8	Oct 17	7	12	10.5
Edinburgh Oil	6 mths to June 30	2.04	(1.54)	0.413‡‡	(0.376‡‡)	1.19	(1.08)	-	-	-	-	0.25
Flying Flowers	6 mths to June 28	15.4	(12.7)	1.84	(1.08)	8.15†	(4.14)	1.36	Oct 25	1.08	-	3.24
GKN	6 mths to June 30	1,726	(1,866)	181	(162.8)	31.7	(28.1)	9.8	Oct 18	8.75	-	24
Holliday Chemical	6 mths to June 30	85.5	(82.3)	8.14	(11)	5.4	(7.6)	2.1	Oct 2	2	-	5
Liberty Intl	6 mths to June 30	-	(-)	56.1♥	(50.3)	13.15	(8.49)	7.25	Oct 8	6.6	-	14.5
Metal Bulletin	6 mths to June 30	10.8	(8.98)	2.04	(1.46)	13.9	(9.8)	5.8	Oct 4	4.8	-	16
Standard Chartered	6 mths to June 30	-	(-)	448♥	(319♥)	30.5	(24.3)	4.25	Oct 18	3.25	-	11
TDG	6 mths to June 30	255.8	(246.3)	15.8♥	(17.3♥)	7.42	(8.19)	4	Oct 4	3	-	9.5
Ward	6 mths to Apr 30	15.5	(11.9)	0.945L♠	(0.58)	1.8L	(1.1)	nil	-	0.5	-	1.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Finsbury Smaller	6 mths to June 30	238.6	(181.1)	0.532	(0.453)	2.4	(2)	1.3	Sept 12	1.2	-	3.4
Five Arrows Chile ☆	6 mths to June 30	379	(458)	3.98	(2.85)	4	(3)	3	Nov 12	2	-	5
F&C Enterprise	6 mths to June 30 ★	120.8	(90.7)	1.84	(1)	[illegible]	(1.07)	-	-	-	-	1.2
Kleinwort O'seas	6 mths to June 30	336.2	(283.3)	1.45	(1.83)	1.8	(2.28)	1.9	Oct 7	1.8	-	3.55
Mercury World	6 mths to June 30	116.62	(95.82)	2.67	(1.65)	0.63	(0.39)	-	-	-	-	1

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated. □Total premiums. §USM stock. ‡‡Post tax. ☆US currency.

هكذا من الاصل

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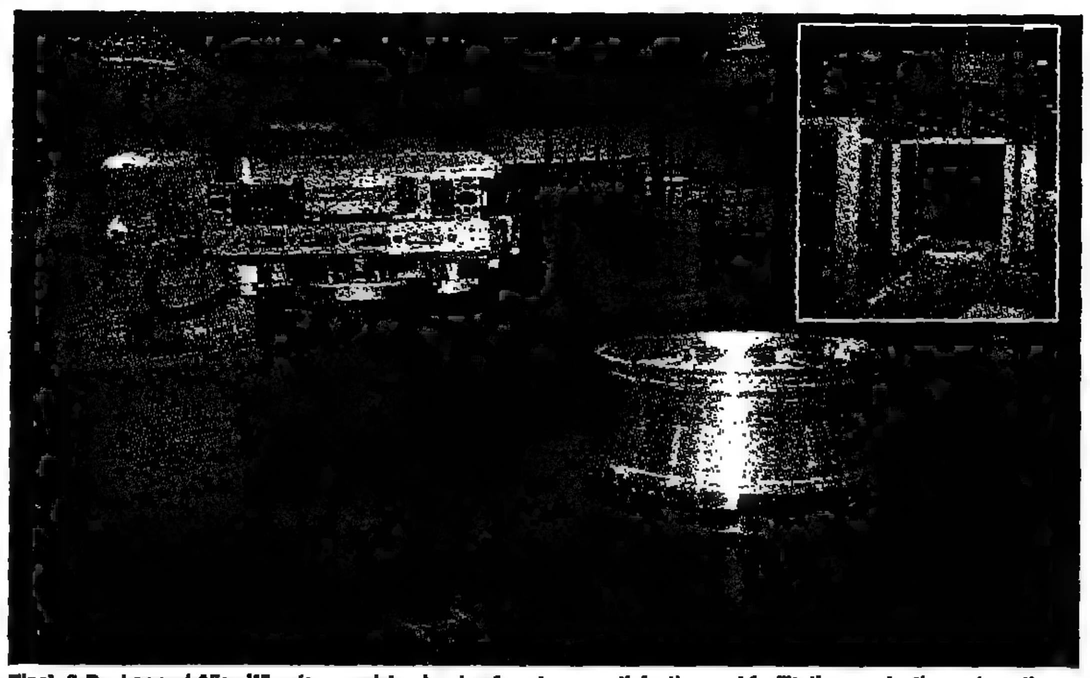
Despite a slow start, machine vision systems are making a comeback. **Anna Kochan** reports

Inspectors on the lookout



Black & Decker and Alloy Wheels are raising levels of customer satisfaction and facilitating production automation

Along the line the nappy comes. Then another. And another, and another. More than 300 per minute altogether. The nappies never stop, but as they travel inexorably on, from one production stage to another, their progress is surveyed by carefully located cameras.

These are quality control inspectors: they watch for tape tabs and determine the presence and dimensions of the absorbent pad. They inspect the size, shape and contour of the nappy. They ensure that they satisfy the stringent quality standards demanded by the customer of the 1990s.

Machine vision seems to be an obvious solution to the quality problem but this young technology has far from met its original expectations. When it appeared in the 1980s, it was believed to be the answer to every automation problem.

Such ideas were soon to be proved false. Industry analysts forecast very rapid growth in sales but this was never achieved. The new technology itself caused widespread disappointment because it was complicated to use and extremely expensive.

Fortunately for nappy manufacturers, and others, the vision enthusiasts did not despair. They persisted with their development projects and soon found areas of application that not only worked but also created profit. Now confidence in machine vision has been gradually restored and the latest systems are cheaper and easier to use than ever before.

The past five years have seen considerable growth in the European vision market, says Eric Ceyrolle, vice president of European operations at US company Cognex, the world's leader in vision. Ceyrolle estimates that the market has grown from \$20m-\$30m (£12.8m-£19.2m) in 1991, when Cognex started up in Europe, to \$200m today.

At the same time, applications of vision have become more diverse. Ten years ago, the only industries which invested in vision were semiconductors and electronics, where vision was essential. Ceyrolle says: "The semiconductor industry needed vision because it was handling tiny and very precise components and because it demands extremely high performance. It was worth investing in developing solutions for this sector because there was volume business to be won. Half the European vision market is still tied up in this sector."

Having gained experience in vision systems for the semiconductor industry, Cognex went on to conquer other markets. The medical and pharmaceutical industry is the one where vision is essential today, Ceyrolle indicates. It is used for the full inspection of label printing quality on bottles, for checking that intravenous bags are correctly assembled, for gauging the sharpness of surgical needles and verifying that syringes contain the correct amount of product and that it is free of contamination.

Developing a vision solution for a specific application does, however, demand a heavy investment, which is why Cognex heads for niche markets likely to bring large quantities of repeat business.

As the technology becomes more mature, prices are dropping. Cognex reports that its installations, which cost as much as \$100,000 or \$200,000 10 years ago, are now down to around \$35,000.

A small UK vision specialist, Image Industries, recently brought out a system at just £2,500. "At this price, the user has the job of setting up his own application but that is a simple task taking about half a day," says Peter Neve, managing director. "In the past you almost needed to be a computer programmer to develop an application but that is no longer true."

Ignorance about what vision is and how it can be used is a big problem

Neve says Image Industries' low-cost Checker system can accomplish the simpler 80 per cent of all industry's vision requirements. It can handle up to 50 inspections per second and is likely to be used for checking parts and products moving continuously on a conveyor.

Most often, says Neve, companies adopt vision technology to achieve full product inspection, whereas previously they had only inspected samples, or not at all. "An operator cannot concentrate on a repetitive inspection task to give a reliable 100 per cent inspection. This is where the camera has an advantage."

Black & Decker, a typical Image Industries customer, has progressively introduced vision technology at its Spennymoor plant in northern England to raise levels of customer satisfaction. Norman Spence, manufacturing engineer, says: "Before we used vision to check that all the components were present in a carton before packaging it up, we used to have a lot of customer complaints about missing parts."

Not all vision systems have a quality control agenda, however. They also facilitate production automation. At Alloy Wheels in Stroud, Gloucestershire, vision has led to a saving of one operator per shift and 10 per cent higher output, says Dave Smith, senior shopfloor engineer. Instead of an operator, a robot loads wheels to a drilling machine.

But, whereas an operator is able to recognise how to orientate the wheel for drilling, a robot cannot. Thus, a camera is needed to view the wheel on a turntable, and to calculate the rotation of the turntable to bring the wheel round into the desired orientation. The robot can then load it correctly.

These vision applications are not isolated cases. However, a vast untapped potential still exists. Ignorance about what vision is and how it can be used is a big problem, says Gerard Mezin, managing director of ITMI Aptor, the French systems integrator, though he believes that companies now consider it regularly as one of the options available, even if it is not often the chosen solution. He sees the market as being fairly stable and growing at a rate of just 4-5 per cent a year.

One of the difficulties that has to be overcome before vision is adopted more widely is that companies have to come face to face with the cost of the scrap they are currently producing, which can be rather daunting, says Don Braggins, independent vision consultant.

"People are worried that vision will reveal that they're producing more scrap than they previously thought and this will mean lower output of good product. But, if they stop to calculate the benefit of using vision to eliminate scrap, they are likely to discover that 1-2 per cent of raw material costs can be saved, which can be a lot of money."

For those more complicated vision applications where the low-cost Image Industries approach is inadequate, the Sira Technology Centre in Chislehurst, Kent, has set up the Intelligent Imaging Programme aimed at helping manufacturing companies develop their own vision solutions without having to employ a specialist. It will bring the cost of a £50,000-£100,000 installation down to £10,000-£20,000, says Bill Simmonds, the centre's manager.

"We're not developing any vision technology. That already exists on the market. The problem for the user is to select the best technology available for a specific application. Our project aims to generate a tool that is user-friendly, even for small companies, and would analyse a user's vision application and relate it to the technology available on the market."

Worth Watching · Vanessa Houlder

Buckyballs as lubricants

Buckyballs – the football-shaped molecules made from 60 carbon atoms – may be able to improve the performance of conventional lubricants, according to a report in today's Nature.

After their discovery 11 years ago, scientists were intrigued by their ability to rotate rapidly while remaining in their lattice position, like miniature ball bearings. But early hopes that these molecules would be successful lubricants were not supported by experimental evidence.

Now researchers at the University of California at Santa Barbara have shown that the molecules, known as buckminsterfullerenes, show "great promise" as an additive. They found that the molecules, when dissolved in toluene, reduced the frictional drag between the liquid and a surface to close to zero.

University of California, Santa Barbara: US, tel 805 893 8407; fax 805 893 7870.

Spreadsheets made easy

A software tool designed to take the drudgery out of writing spreadsheets has been designed by a newly formed spreadsheet specialist.

The tool, called Interactive Forecasting, can speed up the development of a spreadsheet model by up to 10 times, according to Decision Curve, its developer.

The user supplies a formal description of the business model required, listing all the variables and the relationships between them. This description is sent to an on-line server computer at a customer service centre, which automatically compiles a custom spreadsheet for Microsoft Excel or Lotus 1-2-3. The software allows computations based on figures from within the spreadsheet to be displayed graphically as charts and graphs.

Decision Curve: UK, tel (0)171 766 7000; fax (0)171 9306466.

Early diagnosis of glaucoma

Glaucoma is the most common cause of blindness in the industrialised world. But it is difficult to diagnose because the patient does not notice the deterioration in vision until a late stage.

German scientists are developing a technique that could reveal the earliest signs of glaucoma. It depends on detecting the damage to the head of the optic nerve that is caused by increased pressure on it. Laser tomography is used to produce images of the area, which are analysed using image-processing methods. The technique was developed by researchers at the University of Erlangen, software companies and the Fraunhofer Institute for Non-Destructive Testing.

Fraunhofer Institute for Non-Destructive Testing: Germany, tel 3513748252; fax 3513748219.

Starring in a video conference

Brainstorming over a video conferencing link could become easier with the development of a voice-activated camera device that automatically zooms in on the main speakers in a room.

The device has four internal microphones that locate incoming soundwaves. An algorithm calculates the arrival time of the sound waves at each end of the microphones to work out the angles at which the camera should pan, tilt and zoom. A voice processing circuit distinguishes human voices from any other sound.

PictureTel, the US-based developer of the Limelight system, says it is able to track the position of people as they move around during the meeting. If more than one person is speaking, the camera adjusts its pan, tilt and zoom angles to include all the relevant people in its view.

PictureTel: UK, tel (0)1753 673000; fax (0)1753 673010.

INTERNATIONAL CAPITAL MARKETS

Gilts shrug off Bank's warning on rates

By Samer Iskandar and Peter John

UK gilts shrugged off the publication of the Bank of England's Quarterly Bulletin, although the bank made clear it was increasingly inclined to raise interest rates in order to contain inflationary pressures.

After falling in morning trading, Liffe's September long gilt future recovered to settle at 108¼, up ⅛ and near the day's highs. The market chose to focus on the short-term outlook which, according to the Bank, shows that "cost pressures are very weak" and retail price inflation "is likely to fall below 2½ per cent to within the target over the next six months or so".

Analysts at Bridgewater Associates, a US-based currency and bond management firm, said "all indications find inflation subdued and likely to fall further... a situation [that is] very bullish for gilts". In the cash market the 10-year benchmark gilt rose ⅛ to 98¼, while the 8 per cent bond due 2000 lost $\frac{1}{32}$ to 103$\frac{9}{16}$.

Traders said they saw lengthening trades. "Now that the market believes a rate cut is unlikely in the near future, investors are unwinding the short-term positions they had put on to benefit from a rate reduction," said Mr Simon Briscoe of Nikko Europe. "They were getting out of three to five-year maturities and into seven to 10-year paper".

GOVERNMENT BONDS

But analysts also warned that although investors had chosen to focus on the short-term implications, the inflation outlook now appeared more bearish in the long term. In its report, the Bank yesterday stated clearly that inflationary "risks are skewed towards the upside", with retail prices reaching an annual rate of growth of 2.8 per cent in 1998 if interest rates are not raised pre-emptively.

■ French OATs proved resilient, closing slightly higher despite renewed weakness of the currency. Matif's September notional futures closed at 123.62, up 0.20. In the cash market, the 10-year yield spread over bunds was unchanged at 5 basis points. The franc's weakness, however, weighed on shorter rates. The five-year BTAN lost 0.08 at 101.19, while Matif's September future on three-month Pibor rates closed at 95.89, down 0.09. Economists questioned an announcement by the government that it planned to meet the Maastricht criteria for monetary union in 1997 and still be able to cut taxes.

■ Traders' unwinding of convergence trades helped bunds outperform high yielding markets. The 10-year spreads of Italian BTPs and Spanish bonos over bunds widened by 8 and 13 basis points respectively to 318 and 263.

■ Supply considerations dominated the US Treasury market again yesterday as the $39bn quarterly refunding continued. However, there was external encouragement from Japan, where the director general of the Ministry of Finance gave assurances over interest rates.

Mr Eisuke Sakakibara said the interest rate gap between Japan and the US was "not in a situation where it will shrink for some time".

Any hike in Japanese rates would stifle the yen forward carry trades – borrowing money in Japan to take advantage of the very low rates and investing the cash into Treasuries for higher returns.

Mr David Brown of Bear Stearns, said Mr Sakakibara's statement added to the feeling of rate relief which started with last week's low US employment and price data.

Consequently, the US long bond moved forward ¼ by midday to yield 6.740 per cent. Some economists are predicting that continued support could take the yield down to 6.5 per cent in the near term. At the 10-year end, where investors were bidding for $10bn of new paper, benchmark bonds rose $\frac{1}{32}$ to yield 6.509 by midday.

Survey shows growing use of derivatives by insurers

By Peter John

Leading UK insurance groups now use derivatives as important mechanisms in their investment strategy, according to a survey published yesterday.

The Liffe survey adds weight to an earlier review of pension fund activity, which showed that a third of investment groups questioned use futures and options.

It reflects a significant change of attitude by institutional investors, which represent more than half of the UK market.

Ms Sandy Phillips, head of equity products at Liffe, said: "The results show that the use of futures and options is now an essential part of portfolio management within the UK life insurance industry."

Mr Derek McLean of Abbey Life, one of the UK's leading life companies, said derivatives were used as "a matter of course" and provided big cost savings as well as a more simple way of shifting assets. "The majority of our asset allocation moves would be implemented in derivatives, if only as an initial move," he said.

He added that when the group needs very specific products it also acquires tailor-made derivative contracts through the over-the-counter market.

Liffe surveyed 55 of the UK's largest life assurers, with funds worth more than £160bn on average. It found 71 per cent of respondents used derivatives. Almost 60 per cent said they used derivatives more than they did two years ago, and 63 per cent believed their use would increase further over the next two years.

Most of the activity is within exchange-traded futures rather than options.

Within pension funds, which own 33 per cent of UK equities and where trustees have traditionally been sceptical of futures markets, activity has grown less quickly. While 28 per cent of fund mangers used options and futures in 1993, 31 per cent were using them by the time the same question was asked this year.

However, the sample size was much larger – 560 funds were questioned for the most recent information – and Mr John Rogers, director of the National Association of Pension Funds, said activity had grown. "What we found in the past was that although many managers were authorised to use derivatives, not many actually used them."

As with insurance groups, the prime motivation is asset allocation. Funds will also take derivative positions if they anticipate a big influx of cash as it lessens the counter-party's risk.

J.P. Morgan Investment Management, with client portfolios worth £37bn in London, has seen an increasing use of derivatives.

Mr Geoff Lindey, head of UK institutional investment at the group, said: "Over the past 12 to 18 months we have seen a change in attitude. People have started to realise that if you have the proper controls and a proper understanding of what is going on, they are a valuable tool. The cost savings are very significant."

Abbot Laboratories poised for $250m debut

By Antonia Sharpe

Abbott Laboratories, the Chicago-based drugs company, is set to make its first appearance in the eurobond market today with a $250m five-year transaction.

The maturity of the deal, via Goldman Sachs, suggests that the bonds will be targeted at European retail investors who are keen on bonds from top-quality borrowers. Abbott has a coveted triple-A/double-A1 credit rating, which will be reflected in the pricing of its offering. The yield spread is expected to be 16-18 basis points over Treasuries.

INTERNATIONAL BONDS

Abbott is the latest high-quality name to come to the eurobond market this week. Earlier, Germany's KfW issued a $400m 10-year offering, and Sweden and Walt Disney both launched Swiss franc deals yesterday.

The 10-year maturity on Sweden's deal was relatively unusual for the Swiss franc sector, but lead manager UBS said the borrower had opted for that maturity because of strong demand from investors. The interest was such that the offering was increased from SFr150m to SFr200m. The bonds traded at less 2.45/2.35 per cent, well inside fees of 2¾ per cent.

Walt Disney's SFr125m four-year offering was also well-received, and traded at less 1.60/1.50 per cent, inside fees of 1¾ per cent. The proceeds of both transactions are believed to have been swapped into dollars at a sub-Libor rate.

Argentina returned to the eurobond market for the first time since the removal last month of the country's economy minister, Mr Domingo Cavallo, which caused spreads on benchmark Argentine paper to widen by 30 basis points, to 330 basis points. The discounted margin on yesterday's $500m offering of three-year floating-rate notes of 274 basis points over Treasuries showed that investor fears have since subsided.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
MMCCT 2, 96-H, Cls A(a)‡	1.02bn	(a1)	100.00R	Aug 2001	0.275R	-	Goldman Sachs & Co
Republic of Argentina‡	500	(b)	99.89R	Aug 1999	0.35R	-	JP Morgan Securities
Cho Hung Bank‡	200	(c)	100.00	Aug 1997	0.075	-	Barclays de Zoete Wedd
Banco Noroeste	60	10.75#	99.75R	Aug 1999	1.00R	+475(6%-99)	Barclays de Zoete Wedd
■ SWISS FRANCS							
Kingdom of Sweden	200	4.50	102.40	Sep 2006	2.75	-	UBS
Walt Disney Co(f)	125	4.00	102.875	Dec 2000	1.75	-	Credit Suisse/Merrill
■ GUILDERS							
Rabobank Nederland	350	5.375	99.95R	Sep 2001	0.25R	+5.4(f)	Rabobank Nederland
■ FRENCH FRANCS							
Merrill Lynch & Co	1.5bn	6.125	99.868R	Aug 2002	0.275R	+41(f)	CDC/Merrill/SocGen
■ AUSTRALIAN DOLLARS							
Bayerische Vereinsbank	100	7.50	100.505	Sep 2001	2.00	-	Hambros Bank
Merrill Lynch & Co‡	100	(d)	100.00	Aug 1999	0.15	-	Merrill Lynch Intl
■ IRISH POUNDS							
Ulysses Securitisation(e)	50	7.625	99.844R	Aug 2006	0.325R	+23(8%-06)	UBS

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) MBNA Master Credit Card Trust. Legal maturity: 2004. a1) 3-mth Libor +10bp. a2) Class B: $90m, expected maturity Sep01, 3-mth Libor +27bp, parR. b) 3-mth Libor +270bp. c) 3-mth Libor +17½bp. d) 3-mth bank bills +15bp. e) Fungible with I£140m. Plus 4 days accrued. § Over interpolated yield. () Long 1st coupon.

Telco issue oversubscribed

By Tony Tassell

A $175m Global Depositary Receipt issue by Tata Engineering and Locomotive Co (Telco), the Indian car and truck maker, has been oversubscribed by 1.5 times, the issue's lead managers said.

The issue was the third large fund-raising from the international market by an Indian company within a week, and may prompt other companies to proceed with proposed GDR issues over the next few months.

Industrial Credit and Investment Corp of India, the financial institution, earlier placed a $200m issue with a 15 per cent greenshoe option, while Reliance Petroleum, part of the textiles to petrochemicals Reliance group, raised $425m through a syndicated loan and convertible bond issue.

The Telco issue, which had an additional $25m greenshoe option, was priced at $14.25 a GDR. Each GDR represents one underlying domestic share.

The pricing represents a 1.8 per cent premium over Tuesday's closing price for the underlying domestic shares and a 0.8 per cent discount to Telco's existing GDRs.

The Tata group company had raised $115m through a GDR issue in 1994.

The latest issue's two lead managers were Credit Suisse First Boston and Merrill Lynch.

Investment bankers said that the success of the issue represented a continued shift towards quality by international investors in Indian paper.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.0620	+0.264	8.07	8.46	8.53
Austria		6.250	05/06	99.0100	+0.200	6.28	6.44	6.56
Belgium		7.000	05/06	102.3300	–0.020	6.63	6.75	6.80
Canada *		7.000	12/06	97.7000	–0.130	7.32	7.70	7.77
Denmark		8.000	03/06	105.1000	+0.060	7.15	7.33	7.44
France	BTAN	5.750	03/01	101.1800	–0.080	5.44	5.44	5.65
	OAT	7.250	04/06	106.5800	+0.070	6.32	6.38	6.57
Germany Bund		6.250	04/06	99.8000	+0.020	6.27	6.39	6.56
Ireland		8.000	08/06	103.0500	–0.040	7.55	7.66	7.89
Italy		9.500	02/06	101.6600	–0.370	9.23†	9.35	9.24
Japan	No 140	6.600	06/01	119.2017	+0.407	2.22	2.33	2.34
	No 182	3.000	09/05	96.4852	+0.415	3.22	3.38	3.37
Netherlands		8.500	06/06	116.1100	+0.150	6.25	6.39	6.48
Portugal		11.875	02/05	118.4700	–0.470	8.70	8.71	8.75
Spain		8.800	04/06	99.2300	–0.700	8.90	8.92	8.88
Sweden		6.000	02/05	86.6940	–0.270	8.25	8.30	8.19
UK Gilts		8.000	12/00	103–18	–	7.02	7.17	7.24
		7.500	12/06	98–08	+4/32	7.76	7.90	7.96
		9.000	10/08	108–26	+4/32	7.86	8.01	8.10
US Treasury *		7.000	07/06	103–16	+6/32	6.47	6.65	6.59
		6.000	02/26	90–19	+7/32	6.74	7.03	7.03
ECU (French Govt)		7.500	04/05	104.6900	–0.010	6.78	6.83	6.95

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.93
Prime rate	8¼	Two month	-	Three year	6.10
Broker loan rate	7	Three month	5.17	Five year	6.27
Fed.funds	5⅛	Six month	5.30	10-year	6.51
Fed.funds at intervention	-	One year	5.57	30-year	6.74

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123.42	123.62	+0.20	123.74	123.40	90,349	193,233
Dec	122.06	122.30	+0.22	122.38	122.06	3,715	35,620
Mar	121.82	122.10	+0.26	122.12	121.82	868	5,740

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Oct	Calls Dec	Puts Sep	Puts Oct	Puts Dec
120	-	-	-	0.02	0.18	0.50
121	2.64	-	1.38	0.04	0.32	0.73
122	-	-	0.85	0.10	-	1.05
123	0.82	-	0.60	0.24	-	-
124	0.27	0.14	-	0.68	-	-

Est. vol. total, Calls 9,640 Puts 350. Previous day's open int., Calls 128,814 Puts 144,376.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.85	97.89	+0.12	98.01	97.76	95602	238737
Dec	97.02	97.02	+0.13	97.10	96.98	537	11733

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9750	0.58	0.43	0.63	0.80	0.19	0.91	1.11	1.28
9800	0.29	0.27	0.44	0.60	0.40	1.25	1.42	1.58
9850	0.11	0.15	0.30	0.44	0.72	1.65	1.78	1.92

Est. vol. total, Calls 14637 Puts 8589. Previous day's open int., Calls 183811 Puts 170098

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	116.65	116.38	-0.55	116.93	116.35	36579	64765
Dec	116.20	115.89	-0.53	116.20	115.90	302	4294

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11600	0.80	1.80	0.42	1.91
11650	0.52	1.36	0.64	2.19
11700	0.31	1.16	0.93	2.47

Est. vol. total, Calls 5875 Puts 7312. Previous day's open int., Calls 81280 Puts 98078

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	101.00	100.46	–0.66	101.15	100.41	71,566	54,284

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	108-08	108-08	+0-04	108-13	108-01	45516	148412
Dec	107-15	107-15	+0-05	107-15	107-15	219	787

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
108	0-36	0-44	0-63	1-13	0-23	1-14	1-35	1-47
109	0-13	0-22	0-39	0-52	0-61	1-56	2-09	2-22
110	0-03	0-10	0-22	0-35	1-51	2-44	2-58	3-03

Est. vol. total, Calls 1175 Puts 2566. Previous day's open int., Calls 29516 Puts 22002

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.02	92.02	+0.02	92.14	92.00	616	8,082
Dec	90.26	90.26	–	90.26	90.26	20	505

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	111–18	111–30	+0–11	111–31	111–17	157,097	434,633
Dec	111–06	111–12	+0–10	111–13	111–06	2,072	27,526
Mar	110–29	110–30	+0–09	110–30	110–29	591	3,959

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	119.88			120.02	119.81	4795	n/a
Dec	118.66			118.80	118.62	1327	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Wed Aug 7	Day's change %	Tue Aug 6	Accrued interest	xd adj. ytd		Low coupon yield Aug 7	Aug 6	Yr. ago	Medium coupon yield Aug 7	Aug 6	Yr. ago	High coupon yield Aug 7	Aug 6	Yr. ago
1 Up to 5 years (22)	122.57	0.00	122.52	2.74	5.55	5 yrs	7.15	7.16	7.78	7.19	7.21	7.74	7.28	7.29	7.83
2 5-15 years (20)	146.50	0.12	148.32	2.75	6.99	15 yrs	7.98	8.00	8.13	7.98	8.00	8.17	8.04	8.06	8.25
3 Over 15 years (8)	163.31	0.25	162.89	3.04	7.40	20 yrs	8.08	8.10	8.16	8.06	8.09	8.20	8.10	8.16	8.27
4 Irredeemables (6)	185.93	0.37	185.24	2.73	7.36	Irred.†	8.16	8.10	8.21						
5 All stocks (56)	143.36	0.10	143.20	2.85	6.30										

Index-linked							Inflation 5% Aug 7	Aug 6	Yr. ago	Inflation 10% Aug 7	Aug 6	Yr. ago
6 Up to 5 years (1)	199.42	0.03	199.37	2.82	4.48	Up to 5 yrs	2.61	2.52	3.29	-0.97	0.97	1.68
7 Over 5 years (11)	189.49	0.05	189.72	1.04	3.11	Over 5 yrs	3.70	3.70	3.58	3.50	3.50	3.39
8 All stocks (12)	189.59	0.05	189.61	1.08	3.13							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 7	Aug 6	Aug 5	Aug 2	Aug 1	Yr ago	High*	Low*
Govt. Secs. (UK)	93.60	93.39	93.35	93.33	93.07	93.43	96.34	91.69
Fixed Interest	113.22	113.26	113.19	113.02	112.89	112.19	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 6	Aug 5	Aug 2	Aug 1	Jul 31
Gilt Edged bargains	80.2	74.4	94.8	79.6	84.2
5-day average	82.5	83.3	82.0	77.4	81.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 7

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98⅝	98⅞		6.80
ABN Amro Bank 7¼ 05	1000	101⅛	101⅜	+⅛	7.20
African Dev Bk 7¾ 23	500	98⅝	98⅞	+⅛	7.49
Alberta Province 7⅞ 99	1000	102⅞	103		6.19
Sweden 8 97	2500	105⅛	105¼		3.89
United Kingdom 7¼ 97	5500	104⅛	104¼		3.80
Volkswagen Intl Fin 7 03	1000	103¾	104	–⅛	6.30
World Bank 0 15	2000	32	32¼		8.06
World Bank 5¾ 03	3000	99⅝	100	+⅛	6.80
Abbey Natl Treasury 8 03 £	1000	101⅛	101⅜	+⅛	7.75
British Land 8⅞ 23 £	150	91⅝	91⅞	+⅛	9.80
Denmark 6¾ 98 £	800	100⅜	100½		6.84
Depfa Finance 7¾ 03 £	500	98	98⅛	+⅛	7.88
EIB 8 03 £	1000	101⅞	102⅛		7.60
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield (I)	Yield (Red)	Price £	+ or –	52 week High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for November 1995: 149.8 and for June 1996: 153.0.

Other Fixed Interest

* "Tap" stock. xd Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

MARKETS REPORT

French franc continues to wilt in summer heat

By Philip Gawith

The French franc slipped yesterday to a four month low on the foreign exchanges amid widespread speculation that the Bank of France was supporting the currency.

Markets remain sceptical about the French government's resolve to continue taking stiff economic medicine, necessary to meet the Maastricht convergence criteria, at a time when the economy remains lacklustre.

The French franc closed in London at FFr3.414, from FFr3.404. Earlier it had slipped to an intra-day low of FFr3.4157.

The D-Mark was stronger against most currencies. Against the lira it finished at L1,024, from L1,021.

Another feature of the day's trading was the weakness of the yen. It finished at Y72.67 against the D-Mark, from Y72.04. This move helped the dollar rally to Y107.75, from Y106.96, against the yen. It was little changed against the D-Mark at DM1.4829, from DM1.4843.

Sterling had a better day, helped by the release of the Bank of England's quarterly bulletin, and inflation report, which appeared to rule out the prospect of any near-term cut in interest rates.

■ A year ago analysts were predicting a long hot summer for the French franc. Although it did manage to fall from FFr3.42 to FFr3.50 against the D-Mark between August and October, the Bank of France was successful in defending the currency and many speculators lost money.

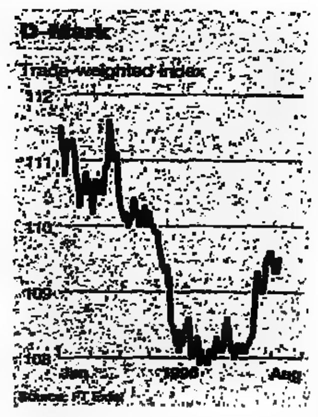
■ Pound in New York

Aug 7	—Latest—	— Prev. close —
£ spot	1.5430	1.5375
1 mth	1.5425	1.5369
3 mth	1.5419	1.5366
1 yr	1.5408	1.5362

Now they appear once more to have the franc in their sights. According to one New York based hedge fund analyst, the current tensions reflect the divergences between the French and German growth cycles. German numbers, such as manufacturing orders and industrial production have recently been on the strong side, while unemployment has been steady.

In France, by contrast, unemployment continues to rise, to 12¼ per cent, while business indicators are depressed. As a result, markets are starting to focus on the September 18 budget and are asking how the government will manage to produce a package capable of keeping it on track for Maastricht. With teachers now threatening to strike, there is also increasing scepticism about the public's appetite for fiscal stringency.

Stronger German data



Source: FT Extel

make it more difficult for Germany to cut rates. Even if it does, the cut is unlikely to be large, and could well be devalued by the market deciding it is the last.

Mr Mike Gallagher, analyst at IDEA, the financial markets consultancy in London, said there had been numerous rumours of the Bank of France intervening. One observer said the bank had been seen at FFr3.3980, FFr3.4025 and FFr3.4055.

■ Three reasons were given for the weakness of the yen (which has weakened dramatically, especially against the D-Mark, since reaching Y69.60 only three weeks ago).

The most important was the report in an influential Japanese newspaper suggesting that the Bank of Japan was under pressure from the Ministry of Finance and the US government not to raise rates. A report in the same paper a few months back, about the BOJ considering raising rates, prompted the yen to rally.

In a matter of weeks, therefore, the situation has changed such that the Bundesbank looks less likely to cut rates, while the BOJ looks less likely to raise rates.

The second factor was comments from Mr Eisuke Sakakibara, the influential MOF official, saying that the recent downward trend in the dollar was over, as fundamentals had not changed. Some observers, however, believe that the influence of Mr Sakakibara, who is closely identified with a "strong dollar" policy, is less than it used to be.

Finally, comments on Tuesday from Mr Ryutaro Hashimoto, the prime minister, were also interpreted as setting back the case for a rise in interest rates. He said an autumn general election – which had earlier been seen as reason for raising rates, in order to please savers – was now unlikely.

■ OTHER CURRENCIES

Aug 7	£	$
Czech Rp	41.2131 - 41.2808	26.7340 - 26.7640
Hungary	231.456 - 231.653	150.140 - 150.190
Iran	[illegible]	3000.00 - 3000.00
Kuwait	0.4614 - 0.4624	0.2993 - 0.2998
Poland	4.1947 - 4.2046	2.7210 - 2.7260
Russia	[illegible]	[illegible]
U.A.E.	5.6621 - 5.6654	3.6729 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Aug 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.0899	+0.0311	824 - 974	16.1234	16.0661	16.0587	2.3	15.9937	2.6	-	-	106.5
Belgium	(BFr)	47.1359	+0.0991	159 - 558	47.2250	47.0110	47.0409	2.4	46.8509	2.4	46.0609	2.3	107.4
Denmark	(DKr)	8.8441	+0.0234	395 - 487	8.8581	8.8235	8.8303	1.9	8.81	1.5	8.7022	1.6	106.1
Finland	(FM)	6.8886	-0.0049	814 - 958	6.9240	6.8810	[illegible]	0.8	6.8761	0.7	-	-	85.9
France	(FFr)	7.8058	+0.0385	037 - 099	7.8149	7.7810	7.7946	1.9	7.7718	1.8	7.6784	1.6	109.2
Germany	(DM)	2.2866	+0.0045	856 - 878	2.2921	2.2828	2.2822	2.3	2.2751	2.4	2.2344	2.3	109.5
Greece	(Dr)	365.207	+0.743	974 - 441	366.550	363.427	-	-	-	-	-	-	67.4
Ireland	(I£)	0.9605	+0.0023	599 - 615	0.9614	0.9578	0.9601	0.6	0.9589	0.7	0.9544	0.6	99.3
Italy	(L)	2342.13	+13.46	181 - 445	2346.92	2337.14	2348.68	-2.8	[illegible]	-2.5	2391.03	-2.0	76.2
Luxembourg	(LFr)	47.1359	+0.0991	159 - 558	47.2250	47.0110	47.0409	2.4	46.8509	2.4	46.0658	2.3	107.4
Netherlands	(Fl)	2.5667	+0.0086	652 - 681	2.5717	2.5607	2.5606	2.9	2.5486	2.8	2.5009	2.8	107.6
Norway	(NKr)	9.8786	+0.0177	713 - 859	9.9004	9.8569	9.8701	1.0	9.8531	1.0	9.7698	1.1	98.8
Portugal	(Es)	235.083	+0.717	924 - 201	235.848	234.316	[illegible]	-2.2	[illegible]	-2.3	-	-	95.6
Spain	(Pta)	194.377	[illegible]	[illegible]	194.704	193.849	194.637	-1.6	195.152	-1.6	196.552	-1.1	80.5
Sweden	(SKr)	10.2327	+0.1005	231 - 423	10.2529	10.1573	10.238	0.0	10.2331	0.0	10.231	0.0	88.8
Switzerland	(SFr)	1.8820	+0.0079	807 - 832	1.8865	1.8574	1.857	3.2	1.8462	[illegible]	1.798	3.4	113.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.3
Ecu	-	1.2183	+0.0045	177 - 189	1.2214	1.2145	1.217	1.3	1.214	1.4	1.2008	1.4	-
SDR†	-	1.056300	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5399	+0.0045	393 - 404	1.5437	1.5370	-	-	-	-	-	-	-
Brazil	(R$)	1.5597	+0.0067	590 - 605	1.5609	1.5437	-	-	-	-	-	-	-
Canada	(C$)	2.1156	+0.0031	146 - 165	2.1207	2.1115	2.1149	0.4	2.1115	0.6	2.1032	0.6	83.8
Mexico	(New Peso)	11.5727	+0.0115	[illegible]	11.6171	11.5338	-	-	-	-	-	-	-
USA	($)	1.5420	+0.0045	416 - 424	1.5438	1.5370	1.5414	0.5	1.5411	0.2	1.5415	0.0	98.1
Pacific/Middle East/Africa													
Australia	(A$)	1.9858	+0.0033	846 - 869	1.9920	1.9809	1.9884	-1.5	1.9934	-1.5	2.0187	-1.7	91.1
Hong Kong	(HK$)	11.9266	[illegible]	227 - 305	11.9396	11.8907	11.9185	0.8	11.9068	0.7	11.8871	0.3	-
India	(Rs)	54.5639	-0.0712	726 - 552	55.0380	54.5350	-	-	-	-	-	-	-
Israel	(Shk)	4.8594	+0.0173	547 - 640	4.8695	4.8317	-	-	-	-	-	-	-
Japan	(Y)	165.151	+1.764	030 - 271	166.340	164.170	165.428	5.2	[illegible]	5.3	157.621	5.2	134.7
Malaysia	(M$)	3.8368	+0.0119	370 - 406	3.8425	3.8348	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2444	+0.0078	427 - 461	2.2492	2.2372	2.2494	-2.7	2.2589	-2.6	2.2927	-2.2	107.7
Philippines	(Peso)	40.4313	+0.1585	437 - 189	40.5270	40.3312	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7833	+0.0169	815 - 851	5.7899	5.7647	-	-	-	-	-	-	-
Singapore	(S$)	2.1844	+0.0054	831 - 857	2.1885	2.1773	-	-	-	-	-	-	-
South Africa	(R)	6.9375	+0.0365	326 - 423	6.9510	6.8858	-	-	-	-	-	-	-
South Korea	(Won)	1255.42	[illegible]	486 - 598	1256.85	1251.58	-	-	-	-	-	-	-
Taiwan	(T$)	42.3942	+0.1544	756 - 129	42.4380	42.2396	-	-	-	-	-	-	-
Thailand	(Bt)	38.9934	+0.1638	794 - 073	39.0060	38.8200	-	-	-	-	-	-	-

† Rates for Aug 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.4346	-0.0102	323 - 368	10.4650	10.4290	10.4282	2.2	10.3892	2.4	10.1997	2.3	106.1
Belgium	(BFr)	30.5680	-0.025	630 - 730	30.6500	30.5620	30.538	2.2	30.423	2.2	29.883	2.3	106.9
Denmark	(DKr)	5.7355	-0.0015	340 - 370	5.7486	5.7325	5.7286	[illegible]	5.7125	1.7	[illegible]	1.6	107.3
Finland	(FM)	4.4673	-0.0163	638 - 708	4.5048	4.4637	4.4771	1.7	4.4631	1.7	4.4196	1.4	84.7
France	(FFr)	5.0628	+0.0108	621 - 635	5.0715	5.0548	5.045	1.7	[illegible]	1.7	4.963	1.6	106.8
Germany	(DM)	1.4829	-0.0014	826 - 831	1.4873	1.4815	1.4818	2.0	1.476	2.2	[illegible]	2.5	108.8
Greece	(Dr)	236.840	-0.21	750 - 930	[illegible]	[illegible]	238.725	-8.5	242.075	-8.6	256.05	-8.0	66.6
Ireland	(I£)	1.6053	[illegible]	045 - 060	1.6090	1.6013	[illegible]	-0.4	1.6059	-0.4	1.5975	0.4	-
Italy	(L)	1519.54	+4.31	908 - 000	1525.30	1517.53	1519.96	-3.8	[illegible]	-3.4	[illegible]	-2.4	76.0
Luxembourg	(LFr)	30.5680	-0.025	630 - 730	30.6500	30.5620	30.54	2.1	30.4335	2.1	29.953	2.1	106.9
Netherlands	(Fl)	1.6645	-0.0006	640 - 650	[illegible]	[illegible]	[illegible]	2.4	1.6546	2.5	[illegible]	2.5	106.9
Norway	(NKr)	6.4064	-0.0072	033 - 094	6.4240	6.4028	6.4106	0.6	6.4081	0.5	6.3595	0.7	97.8
Portugal	(Es)	152.440	+0.02	390 - 490	152.850	152.380	152.795	-2.5	153.325	-2.4	155.47	-2.0	95.6
Spain	(Pta)	126.055	+0.255	030 - 080	126.350	125.880	126.05	-2.4	126.48	-2.2	128.02	-1.6	80.2
Sweden	(SKr)	6.6360	+0.0458	315 - 405	6.6543	6.6032	6.5892	0.2	6.5916	-0.1	6.5666	0.4	88.8
Switzerland	(SFr)	1.2075	+0.0016	070 - 080	1.2120	1.2065	1.2024	3.5	1.1949	3.6	1.1614	3.7	112.6
UK	(£)	1.5420	+0.0045	416 - 424	1.5438	1.5370	1.5369	0.5	1.5368	0.2	1.537	0.0	85.5
Ecu	-	1.2657	-0.0011	654 - 660	1.2686	1.2650	1.2675	-0.7	1.2692	-0.8	1.276	-0.8	-
SDR†	-	0.68560	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	1.0002	0.9983	-	-	-	-	-	-	-
Brazil	(R$)	1.0115	+0.0014	113 - 116	1.0118	1.0011	-	-	-	-	-	-	-
Canada	(C$)	1.3720	-0.002	717 - 722	1.3745	1.3715	1.3739	0.1	1.3741	0.0	1.3789	-0.2	82.8
Mexico	(New Peso)	7.5050	-0.0295	000 - 100	7.5100	7.5000	7.596	-25.7	7.881	-18.4	9.6445	-28.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.8
Pacific/Middle East/Africa													
Australia	(A$)	1.2877	-0.0016	873 - 882	1.2903	1.2870	1.2913	-1.9	1.2948	-1.7	1.3136	-1.9	92.1
Hong Kong	(HK$)	7.7345	-0.0042	340 - 350	7.7383	7.7340	7.7394	-0.1	7.7412	-0.1	7.7682	-0.4	-
India	(Rs)	35.4500	-0.15	000 - 000	[illegible]	35.4000	35.75	-5.1	36.055	-5.1	37.525	-5.4	-
Israel	(Shk)	3.1513	+0.002	491 - 535	3.1566	3.1350	-	-	-	-	-	-	-
Japan	(Y)	107.750	+0.825	700 - 800	107.920	106.750	106.48	5.0	105.58	5.0	101.84	4.8	135.2
Malaysia	(M$)	2.4895	+0.0005	890 - 900	2.4906	2.4885	[illegible]	-0.4	2.496	-1.1	2.5195	-1.2	-
New Zealand	(NZ$)	1.4554	+0.0006	546 - 562	1.4569	1.4545	1.4579	[illegible]	1.4637	-2.4	[illegible]	-2.3	-
Philippines	(Peso)	26.2200	+0.025	700 - 700	26.2700	26.1700	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.751	-0.1	3.7517	[illegible]	3.755	-0.1	-
Singapore	(S$)	1.4166	-0.0006	161 - 171	1.4172	1.4160	1.4137	3.0	1.4077	2.7	[illegible]	2.5	-
South Africa	(R)	4.4990	+0.023	970 - 010	4.5050	4.4800	4.5236	-12.7	4.6135	-12.3	4.961	-10.6	-
South Korea	(Won)	814.150	-0.05	000 - 300	815.200	813.900	-	-	-	-	-	-	-
Taiwan	(T$)	27.4930	+0.02	860 - 960	27.5000	27.4850	27.478	-0.2	27.488	-0.1	-	-	-
Thailand	(Bt)	25.2875	+0.0325	850 - 900	25.2950	25.2520	25.3537	-4.7	25.5675	-4.8	26.44	-4.7	-

† SDR rate per $ for Aug 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 6: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

August 7	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3⅜	3⅜	3⅜	3⅜	7.00	2.50	-
week ago	3¼	3⅜	3⅜	3⅜	3⅜	7.00	2.50	-
France	3⅝	3¾	3⅞	4⅛	4⅛	3.55	-	4.75
week ago	3⅝	3¾	3¾	3⅞	4⅛	3.55	-	5.60
Germany	3⅜	3⅜	3⅜	3⅜	3⅜	4.50	2.50	3.30
week ago	3⅜	3⅜	3⅜	3⅜	3½	4.50	2.50	3.30
Ireland	5⅝	5⅝	5⅝	5⅞	6	-	-	6.25
week ago	5⅝	5⅝	5⅝	5⅝	5⅞	-	-	6.25
Italy	8⅝	8⅝	8⅝	8⅝	8⅝	-	8.25	[illegible]
week ago	8⅝	8⅝	8⅝	8⅝	8⅝	-	8.25	8.70
Netherlands	2⅞	2⅞	3⅛	3⅛	3⅛	-	3.00	3.30
week ago	2⅞	2⅞	3⅛	3¼	3½	-	3.00	3.30
Switzerland	2⅛	2¼	2⅛	2⅛	2⅛	5.00	1.50	-
week ago	2⅛	2⅛	2⅛	2⅛	2⅛	5.00	1.50	-
US	5⅛	5⅜	5⅜	5⅝	6⅛	-	5.00	-
week ago	5⅛	5⅜	5⅝	5⅝	6⅛	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
week ago	½	½	½	½	1⅛	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5⅜	5⅝	5⅞	-	-	-
week ago	-	5⅜	5⅝	5⅞	6⅛	-	-	-
US Dollar CDs	-	5.15	5.21	5.31	[illegible]	-	-	-
week ago	-	5.15	5.37	5.50	5.80	-	-	-
ECU Linked Ds	-	4⅜	4⅜	4⅜	4½	-	-	-
week ago	-	4⅜	4⅜	4⅜	4½	-	-	-
SDR Linked Ds	-	3⅛	3⅜	3⅜	3⅜	-	-	-
week ago	-	3⅜	3⅜	3⅜	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅛	3⅜ - 3¼	3⅜ - 3⅛	3⅝ - 3⅜
Danish Krone	3⅜ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3⅜	4⅛ - [illegible]	4⅛ - 4⅛
D-Mark	3⅜ - 3⅛	3⅜ - 3¼	3⅜ - 3⅛	[illegible] - 3⅜	[illegible] - 3⅜	3⅜ - 3⅜
Dutch Guilder	2⅞ - 2¾	2⅞ - 2⅞	2⅞ - 2⅞	3⅛ - 2⅞	3⅛ - 3⅛	3⅜ - 3⅜
French Franc	3⅝ - 3½	3⅝ - 3⅝	3⅝ - 3⅝	3⅝ - 3⅝	[illegible] - 3⅝	4⅛ - 3⅞
Portuguese Esc.	7⅜ - 7⅛	7½ - 7⅛	7⅜ - 7⅜	7⅜ - 7⅜	7⅜ - 7¼	7⅜ - 7¼
Spanish Peseta	7⅜ - 7⅛	7½ - 7⅜	7⅛ - 7⅛	7⅜ - 7⅛	7¼ - 7⅛	7¼ - 7⅛
Sterling	5¾ - 5½	6⅛ - 5⅞	5⅞ - 5¾	5⅞ - 5⅞	5⅞ - 5¾	6⅛ - 6
Swiss Franc	2⅝ - 2¼	[illegible] - 2⅛	2¼ - 2⅛	2⅝ - 2¼	2½ - 2⅜	2⅝ - 2½
Can. Dollar	4⅝ - 4⅜	4⅜ - 4¼	4⅜ - 4¼	4⅜ - 4⅜	4½ - 4⅜	4⅞ - 4¾
US Dollar	5⅜ - 5⅛	5⅜ - 5⅛	5⅜ - 5⅜	5⅝ - 5⅜	5⅝ - 5⅜	5⅞ - 5⅞
Italian Lira	8⅝ - 8¼	9⅛ - 8⅞	8⅞ - 8¾	8⅞ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅞
Yen	½ - ⅜	½ - ⅜	½ - ⅜	¾ - ½	⅞ - ⅝	1⅛ - 1
Asian $Sing	3¼ - 3⅛	3⅜ - 3¼	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3⅝ - 3½

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.87	95.89	-0.08	95.95	95.82	72,536	51,623
Dec	95.85	[illegible]	-0.05	95.93	95.80	32,507	52,255
Mar	95.82	95.81	-0.03	95.88	95.72	9,041	[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.71	96.69	+0.01	96.71	96.69	15099	174034
Dec	96.70	96.68	-	96.71	96.67	18692	239514
Mar	96.51	96.48	-	96.52	96.46	20270	192547
Jun	96.21	96.20	+0.01	96.24	96.17	19965	129813

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.49	91.40	-0.15	91.52	91.38	18885	57418
Dec	91.99	91.88	-0.16	92.01	91.85	12508	40419
Mar	92.21	92.14	-0.13	92.26	92.15	4222	22183
Jun	92.22	92.20	-0.10	92.30	92.21	1001	14468

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.56	97.63	+0.03	97.64	97.56	6087	31353
Dec	97.50	97.55	+0.04	97.58	97.46	6845	27226
Mar	97.29	97.36	+0.04	97.38	97.29	734	10543
Jun	97.04	97.07	+0.05	97.08	97.04	105	3075

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.26	99.28	+0.11	99.28	99.27	354	0
Dec	99.02	99.03	+0.14	99.04	99.02	534	0
Mar	98.76	98.75	+0.14	98.76	98.76	20	0

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.54	95.53	-0.05	95.58	95.52	1771	9002
Dec	95.56	95.55	-0.04	95.60	95.54	1036	5278
Mar	95.44	95.45	-0.02	95.47	95.44	355	2655
Jun	95.28	95.28	+0.01	95.28	95.26	53	2858

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.76	16.56	4.852	2.039	4970	5.445	20.96	498.7	412.4	21.70	3.950	2.121	4.489	3.271	352.6	2.584
Denmark	(DKr)	53.30	10	8.827	2.586	1.087	2649	2.903	11.17	265.8	219.8	11.57	2.106	1.131	2.393	1.744	187.9	1.377
France	(FFr)	60.38	11.33	10	2.929	1.231	3001	3.288	12.65	301.1	249.0	13.10	2.386	1.281	2.710	1.975	212.9	1.560
Germany	(DM)	20.61	3.867	3.414	1	0.420	1024	1.122	4.320	102.8	85.00	4.473	0.814	0.437	0.925	0.674	72.67	0.533
Ireland	(I£)	49.05	9.205	8.124	2.380	1	2438	2.671	10.28	244.6	202.3	10.65	1.938	1.041	2.202	1.605	172.9	1.267
Italy	(L)	2.012	0.377	0.333	0.098	0.041	100.	0.110	0.422	10.03	8.297	0.437	0.079	0.043	0.090	0.066	7.093	0.052
Netherlands	(Fl)	18.36	3.448	3.041	0.891	0.374	912.7	1	3.848	91.59	75.73	3.985	0.725	0.390	0.824	0.601	64.74	0.474
Norway	(NKr)	47.72	8.952	7.905	2.315	0.973	2372	2.598	10	238.0	196.8	10.36	1.885	1.012	2.142	1.561	168.2	1.233
Portugal	(Es)	20.05	3.762	3.321	0.973	0.409	996.6	1.092	4.202	100.	82.69	4.351	0.792	0.425	0.900	0.656	70.69	0.518
Spain	(Pta)	24.25	4.549	4.016	1.176	0.494	1205	1.320	5.082	120.9	100.	5.262	0.958	0.514	1.088	0.793	85.49	0.627
Sweden	(SKr)	46.08	8.646	7.631	2.236	0.939	2290	2.509	9.657	229.8	190.0	10	1.820	0.978	2.068	1.507	162.5	1.191
Switzerland	(SFr)	25.32	4.750	4.193	1.228	0.516	1258	1.379	5.306	126.3	104.4	5.494	1	0.537	1.136	0.828	89.26	0.654
UK	(£)	47.14	8.844	7.807	2.287	0.961	2345	2.567	9.879	235.1	194.4	10.23	1.862	1	2.116	1.542	166.2	1.218
Canada	(C$)	22.28	4.180	3.690	1.081	0.454	1107	1.213	4.669	111.1	91.87	4.835	0.880	0.473	1	0.729	78.54	0.576
US	($)	30.57	5.735	5.063	1.483	0.623	1519	1.665	6.407	152.5	126.1	6.634	1.208	0.649	1.372	1	107.8	0.790
Japan	(Y)	28.36	5.321	4.697	1.376	0.578	1410	1.545	5.944	141.5	117.0	6.155	1.120	0.602	1.273	0.928	100.	0.733
Ecu		38.70	7.261	6.410	1.878	0.789	1924	2.108	8.111	193.0	159.6	8.399	1.529	0.821	1.737	1.266	136.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6751	0.6749	-0.0004	0.6759	0.6739	15,078	69,809
Dec	0.6791	0.6793	+0.0001	0.6795	0.6790	528	3,169
Mar	-	0.6834	-	-	-	21	633

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9415	0.9332	-0.0082	0.9425	0.9325	11,582	65,813
Dec	0.9485	0.9446	-0.0083	0.9485	0.9446	564	5,189
Mar	-	0.9642	-	-	-	2	124

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8324	0.8293	-0.0029	0.8324	0.8280	10,817	38,368
Dec	0.8370	0.8365	-0.0023	0.8378	0.8358	259	2,293
Mar	0.8439	0.8439	-0.0019	0.8409	0.8436	10	89

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5380	1.5424	+0.0056	1.5434	1.5370	13,060	47,856
Dec	1.5430	1.5400	+0.0034	1.5430	1.5400	82	1,231
Mar	-	1.5366	-	1.5430	1.5360	3	8

UK INTEREST RATES

LONDON MONEY RATES

Aug 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅞ - 5	5⅞ - 5⅝	5⅞ - 5⅞	5⅞ - 5¾	5⅞ - 5¾	6⅛ - 5⅞
Sterling CDs	-	-	5¾ - 5⅞	5¾ - 5⅞	5¾ - 5⅞	5⅞ - 5⅞
Treasury Bills	-	-	5⅞ - 5⅞	5⅜ - 5⅝	-	-
Bank Bills	-	-	5⅞ - 5⅝	5⅝ - 5⅞	5⅝ - 5⅞	-
Local authority deps.	5⅞ - 5⅞	5⅞ - 5⅝	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 5⅞
Discount Market deps	5¾ - 5¼	5⅞ - 5⅞	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Aug 2, 5.5349pc. ECGD fixed rate Stg. Export Finance. Make up day July 31, 1996. Agreed rate for period Aug 26, 1996 to Sep 24, 1996, Schemes II & III 7.08pc. Reference rate for period Jun 29, 1996 to July 31, 1996, Schemes IV & V 5.811pc. Finance House Base Rate 6pc from Aug 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.26	94.22	-0.05	94.27	94.20	17712	77466
Dec	94.22	94.16	-0.05	94.23	94.10	42666	106089
Mar	94.02	93.96	-0.04	94.03	93.89	23058	67459
Jun	93.69	93.64	-0.02	93.70	93.58	13003	44418
Sep	93.30	93.25	-0.02	93.31	93.20	2768	31432

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9400	0.23	0.27	0.27	0.01	0.11	0.31
9425	0.05	0.13	0.16	0.08	0.22	0.45
9450	0.01	0.05	0.09	0.29	0.39	0.63

Est. vol. total, Calls 12754 Puts 7298. Previous day's open int., Calls 133526 Puts 120168

EMS EUROPEAN CURRENCY UNIT RATES

Aug 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.13346	-0.00134	-0.87	2.13	6
Spain	162.493	161.569	+0.111	-0.57	1.82	4
Belgium	[illegible]	39.1848	-0.0394	-0.54	1.79	4
Germany	1.91007	1.90116	-0.00223	-0.47	1.72	5
Austria	13.4383	13.3791	-0.0158	-0.44	1.69	3
Portugal	195.792	195.459	-0.057	-0.17	1.42	1
Ireland	0.792214	0.798355	+0.000724	0.78	0.47	-5
Denmark	7.28580	7.35006	-0.00651	0.88	0.36	-8
France	6.40608	6.48584	+0.012	1.25	0.00	-10
NON ERM MEMBERS						
Greece	292.867	304.125	+0.338	[illegible]	-2.50	-
Italy	2106.15	1947.26	+5.58	-7.54	9.51	-
UK	0.786652	0.831083	-0.000669	5.65	-4.17	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	Sep	Oct	PUTS Aug	Sep	Oct
[illegible]	0.99	[illegible]	[illegible]	0.23	0.76	1.16
1.540	0.43	0.91	1.31	0.72	1.25	1.64
[illegible]	0.13	0.54	0.91	1.41	1.87	2.23
[illegible]	0.02	0.28	0.74	-	2.56	-
[illegible]	-	0.11	0.51	-	[illegible]	-

Previous day's vol., Calls 5,387 Puts 4,939 Prev. day's open int., Calls 165,713 Puts 144,211

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.43	94.44	+0.01	94.45	94.42	52,572	368,445
Dec	94.20	94.23	+0.02	94.24	94.19	48,943	445,358
Mar	94.08	94.12	+0.03	94.14	94.06	43,626	283,334

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.94	94.94	+0.02	94.96	94.94	199	7,800
Dec	94.81	94.82	+0.02	94.82	94.81	92	1,735
Mar	-	94.70	-	94.70	-	10	580

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	Sep	Oct	Dec	PUTS Aug	Sep	Oct	Dec
9650	0.20	0.21	0.23	0.26	0.01	0.02	0.05	0.08
9675	0.02	0.05	0.08	0.11	0.09	0.11	0.15	0.18
9700	0	0.01	0.03	0.04	0.31	0.32	0.35	0.36

Est. vol. total, Calls 4950 Puts 8510. Previous day's open int., Calls 340152 Puts 311808

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9775	0.05	0.11	0.12	0.17	0.31	0.51
9800	0.01	0.05	0.06	0.38	0.50	0.70

Est. vol. total, Calls 0 Puts 12. Previous day's open int., Calls 9218 Puts 5662

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9125	[illegible]	0.76	1.03	0.11	0.13	0.14
9150	0.13	0.57	0.83	0.23	0.19	0.19
9175	0.05	0.40	0.65	0.40	0.27	0.27

Est. vol. total, Calls 1255 Puts 1025. Previous day's open int., Calls 70482 Puts 33869

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	*Mount Credit Corp	6.00
Allied Trust Bank	5.75	Duncan Lawrie	5.75	NatWestminster	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	●Rea Brothers	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	Royal Bk of Scotland	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Singer & Friedlander	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	●Smith & Williamson Secs	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	Scottish Widows Bank	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	TSB	5.75
Bank of India	5.75	●Hambros Bank	5.75	United Bank of Kuwait	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Unity Trust Bank Plc	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Western Trust	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Whiteaway Laidlaw	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75	Yorkshire Bank	5.75
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Meghraj Bank Ltd	5.75		
Credit Lyonnais	5.75	Midland Bank	5.75		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

LME options bloomer causes red faces but "minimal" losses

By Kenneth Gooding, Mining Correspondent

Somebody either forgot to push the right button or pushed the wrong button at Metallgesellschaft's metal trading organisation in London yesterday and the group faced the possibility of losing several million pounds of profit on its copper options business.

This caused something of a sensation among London Metal Exchange traders when they realised that MG had not exercised profitable options representing very large tonnages of copper at the appointed hour yesterday morning.

By the middle of the afternoon, however, MG's managing director Mr Michael Hutchinson was able to report that the vast majority of counterparties had accepted that there had been a technical hitch within MG's internal systems and had agreed to pay up.

"It is very pleasant to work in an environment where gentlemanly conduct still prevails," he said.

He insisted that MG's potential losses from the problem were "minimal".

Traders said there had been other, very occasional instances of similar problems with the LME's option business. Some suggested the exchange's manual system was creaking under the strain of having to handle a growing amount of business.

"I am sure the LME will investigate its whole options declaration system after this," one added.

There were some rumours that two big trading houses had aggressively refused to join their gentlemanly rivals and had told MG in no uncertain terms that they would not pay. This won no plaudits among other market members. "It is nothing short of disgraceful to say that these options were not valid because of a technicality. They were deeply in the money and all the counterparties – if they were trading properly – would have taken steps to cover," said one trader.

Another said it was "stupid" for brokers to pretend they did not have to pay because of a technicality. His organisation agreed promptly to pay up – on condition that, should it meet with a similar accident, MG would reciprocate.

Dealers said MG failed to declare deep in-the-money copper "put" options at between \$2,400 and \$2,500 a tonne and in the money "call" options at \$2,000 a tonne. Some suggested MG also failed to declare in-the-money nickel "puts" at \$8,400 a tonne.

Mr Hutchinson said MG was last night still attempting to find out exactly what had gone wrong.

Pakistan struggles to end human bondage

Farhan Bokhari on a system that traps peasants into a life-time of unpaid labour

Jeema (she has only one name) is the victim of a strange accounting system that for decades has forced some of Pakistan's poorest peasants to work on farms as bonded labourers, or virtual slaves. But the practice of keeping labourers like her in bondage, for which some of Pakistan's wealthiest landowners have become notorious, is coming increasingly under attack against a background of growing international criticism.

Along with her husband and their eight children, Jeema spent almost 22 years in bondage, trying to repay a meagre loan of Rs600 (US\$17.15). In spite of her entire family's dawn to dusk toil, the loan grew to a staggering Rs400,000 (more than \$11,000).

She claims that she was never paid. "The wadera [landowner] only told us that our loan was growing but he never explained how and we never got paid for working on his farm," laments Jeema, speaking through an interpreter in Sindhi, a Pakistani regional language.

But she is one of the lucky ones, being among the roughly 2,000 former bonded labourers who've been freed during the past year in police raids on large farms in Pakistan's Sindh province. She now lives in one of the 50 huts made out of straw, located on land donated by a christian mission outside the town of Maatli, some 200km South of Karachi.

Human rights activists claim that tens of thousands more such labourers are still kept in bondage at privately run jails on farms, where gunmen hired by landowners keep them in chains and force them to work in sub-human conditions.

The effect of the campaign to release bonded labourers on Pakistan's agriculture economy is not entirely clear, largely because of poor statistics. Agriculture makes up for around 25 per cent of Pakistan's GDP and employs about half the total labour force. But no one knows the exact proportion of the labour force that is kept in bondage.

The campaign has raised concerns of a confrontation between the government and large landowners, many of whom are politically powerful, senior government officials say, Pakistan is finding it increasingly difficult not to take action, even if it only of a symbolic nature.

Any international moves forcing the country to improve the working standards for Pakistan's farm labourers could include measures to restrict its agricultural exports, most notably of cotton products, which account for almost 60 per cent of the total.

Ms Shehnaz Wazir Ali, special assistant to the prime minister on social issues, defends the government saying: "Wherever the government has received information, it has not delayed for a moment its reaction and taken action". She adds: "In this day and age, where globally accepted values and principles of human rights, fundamental freedoms are accepted and certainly there is strong advocacy for them, it is untenable really for a society to continue to turn a blind eye towards such practices of bonded labour".

Under laws that introduced tough penalties in 1992, Pakistan made it illegal for landowners to give fresh loans to peasants or to take unpaid labour in lieu of repayment. The move was taken as a step to discourage the practice of forcing peasants in to bondage. A human rights ministry was established more than two years ago to promote the eradication of such practices.

Many human rights activists, however, say much tougher action will be needed to improve the situation significantly. Mr Ali Hassan, a Pakistani journalist who has actively supported the campaign to release bonded labourers says: "The basic reason [for lack of progress] is that most members of the parliament belong to the 'zamindari' [landowners] class who are more interested in the status quo than bringing about change". He adds: "The [human rights] ministry should be really empowered to take tough action".

Other critics charge that the government needs to attack the problem much more aggressively. The country still has few outlets for offering credit to the poor and illiterate, which forces many peasants to seek loans from landowners, running the risk of being exploited for a life-time. Another problem is that there are few opportunities for the rehabilitation of those who are released from bondage.

Ms Ali agrees that more needs to be done to help former victims begin a new life. "In cases where bonded labourers have been removed from the places of bondage and have been taken to other sites, I think we haven't provided sufficient support for them to rebuild their lives."

Even if help eventually arrives from the government, victims like Jeema will continue to suffer. Her children still have to toil day after day in the blistering sun as manual labourers because they have not learnt any other skills. But at least now they get some money at the end of the day.

Outokumpu plans \$110m zinc boost

By Kenneth Gooding

Outokumpu, the Finnish mining and metals group that last year completed a Fm1.62bn (US\$360m), three-year programme to expand copper and nickel production, is now turning its attention to zinc.

The group is to invest Fm500m to boost annual zinc production capacity at its Kokkola plant in Finland by about one third, from 170,000 tonnes to 225,000 tonnes by the end of 1998.

Kokkola already accounts for about 3 per cent of global refined zinc production and Outokumpu said the investment would secure its competitive position "far into the future".

The company said it would use a new technology it had developed – a direct method of leaching zinc concentrates (an intermediate material). This would improve productivity and bring down production costs.

Outokumpu also provides about 1 per cent of the world's copper supply and 3 per cent of the nickel. The Fm1.6bn programme, the biggest in the group's history, lifted its copper smelting and refining capacity a and nickel output by about 75 per cent.

China expects record harvest

China's grain harvest is expected to reach at least 465m tonnes this year, while cotton output is seen at 4.5m tonnes, scarcely affected by floods and typhoons, the Ministry of Agriculture said yesterday, reports Reuters from Beijing.

"These targets are within reach if no major calamity occurs before the autumn harvest," it said in its Agricultural Development Report.

It said that the country's total grain acreage had expanded by one per cent in 1996.

The ministry said it hoped for a 471m-tonne grain harvest this year, up from 1995's record 466m tonnes.

Sugar pact chief sees downward pressure on prices

With an estimated 5.5m-tonne surplus on international markets during 1995-1996, world sugar prices are to come under downward pressure, the executive director of the International Sugar Organisation said, reports Reuters from San Luis Potosi, Mexico.

"Although demand remains quite strong, the surplus of production over consumption. . . cannot fail, we believe, to put world sugar prices under presure," Mr Peter Baron told the annual congress of the Confederation of Iberoamerican and Philippine Sugar Cane Growers.

He said the current surplus represented 22 per cent of traded sugar and that, together with good prospects for the 1996-1997 harvest in most most producing and exporting countries, would take the world sugar economy into a phase of lower prices.

"Raw sugar prices can be expected to fall to, or below, 10 cents per pound, compared to 12 cents per pound currently, and white sugar to 13-14 cents per pound, compared to 17-18 cents per pound at the moment."

He said that market analysts had been puzzled why prices had remained stubbornly high in the face of the looming substantial surplus and added that it could be partly explained by some slow starts to some crops and a relative shortage of high-quality white sugar and demand from unexpected sources such as Turkey, Pakistan and the Philippines. "Nevertheless," he said, "we feel that, sooner or later, the underlying statistical situation will assert itself, and the level of the world surplus will begin to affect prices."

Mr Baron added that he believed investment fund positions in the sugar market had remained heavy, which had also been a factor in keeping prices high, especially in the New York market. He warned that an exit of funds from sugar markets could lead to an even sharper fall in prices.

Looking to the future, Mr Baron said the world sugar market was placed in a difficult situation, with producer nations, and especially traditional exporters looking to boost output.

"Production for 1996-1997 in the centre-south of Brazil, where some possibility to transfer cane to alcohol production exists, has already started and another crop in excess of 9.5m tonnes is expected in that region," he said.

Thailand, he added, looked set for another record crop in excess of 6m tonnes, while South Africa would be back after five years of drought and Australia had increased the area sown to cane.

"Cuba's production, under the discipline provided by foreign investors, will continue its upward path and India, for the foreseeable future, will produce at least enough to cover consumption and is currently exporting at a rate of 1m tonnes a year. Mexico, too, is back as a net exporter."

He said he would not be surprised if Cuba stabilised its output around the 4.5m tonnes the the island produced this season and said it might even push production higher in the 1996-1997 crop.

"We expect the world sugar market to enter an era like that experienced after the then record 1991-1992 crop when world average raw sugar prices fell to 8.97 cents per pound [1991] and 9.06 cents per pound in 1992," Mr Baron said.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1476.5-7.5	1512-3
Previous	1476-77	1510-11
High/low	1474/3	1519/1507
AM Official	1473-3.5	1508.5-9.0
Kerb close		1518-9
Open int.	225,026	
Total daily turnover	44,858	

■ ALUMINIUM ALLOY (\$ per tonne)

	Cash	3 mths
Close	1270-75	1306-7
Previous	1272-77	1307-10
High/low		1305
AM Official	1267-72	1300-05
Kerb close		1305-10
Open int.	5,104	
Total daily turnover	1,231	

■ LEAD (\$ per tonne)

	Cash	3 mths
Close	814.5-5.5	819-20
Previous	798.5-99.5	804-5
High/low		827/813
AM Official	811-2	816-6.5
Kerb close		826-7
Open int.	31,510	
Total daily turnover	7,492	

■ NICKEL (\$ per tonne)

	Cash	3 mths
Close	6875-85	6980-90
Previous	6840-50	6950-55
High/low	6905/6805	7060/6960
AM Official	6900-05	7010-15
Kerb close		7000/10
Open int.	40,445	
Total daily turnover	14,844	

■ TIN (\$ per tonne)

	Cash	3 mths
Close	6100-05	6150-55
Previous	5070-80	6135-40
High/low		6180/6150
AM Official	6100-05	6160-65
Kerb close		6180-90
Open int.	16,753	
Total daily turnover	4,506	

■ ZINC, special high grade (\$ per tonne)

	Cash	3 mths
Close	1016-7	1043-4
Previous	1012-13	1039-40
High/low	1015	1048/1041
AM Official	1014-5	1041.5-2.0
Kerb close		1044.5-5.0
Open int.	66,094	
Total daily turnover	12,649	

■ COPPER, grade A (\$ per tonne)

	Cash	3 mths
Close	2043-8	1941-2
Previous	2026-31	1924-25
High/low	2044/2043	1958/1941
AM Official	2044-45	1943-5
Kerb close		1952-3
Open int.	197,991	
Total daily turnover	66,531	

■ LME AM Official £/\$ rate: 1.5412
LME Closing £/\$ rate: 1.5416

Spot: 1.5421 3 mths: 1.5412 6 mths: 11.541 9 mths: 1.5411

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	92.95	+0.45	93.30	92.80	193	2,548
Sep	92.50	+0.55	92.80	91.60	4,419	17,280
Oct	91.95	+0.50	92.00	91.40	43	1,484
Nov	91.40	+0.65	91.20	91.20	54	1,243
Dec	90.85	+0.65	90.90	90.10	1,447	15,371
Jan	90.25	+0.60	-	-	11	971
Total					6,446	83,518

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	\$ price	£ equiv	SFr equiv
Close	388.00-388.40		
Opening	388.10-388.50		
Morning fix	388.25	251.914	468.579
Afternoon fix	388.00	251.768	469.092
Day's High	388.40-388.80		
Day's Low	387.80-388.20		
Previous close	388.40-388.80		8.80

Loco Ldn Mean Gold Lending Rates (Vs US\$)

1 month	4.51	6 months	4.02
2 months	4.45	12 months	3.91
3 months	4.40		

Silver Fix	p/troy oz.	US cts equiv.
Spot	327.30	505.00
3 months	331.75	511.80
6 months	335.85	517.85
1 year	344.80	531.50

Gold Coins	\$ price	£ equiv.
Krugerrand	385-388	249-251
Maple Leaf	397.20-399.70	-
New Sovereign	90-93	58-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	388.6	-0.2	388.6	388.4	97	908
Oct	391.4	-0.3	392.0	390.6	1,006	12,789
Dec	394.1	-0.3	394.7	393.7	10,859	75,936
Feb	396.5	-0.4	396.8	396.6	25	9,741
Apr	398.9	-0.4	399.0	399.0	837	5,897
Jun	401.4	-0.5	401.5	401.5	17	10,912
Total					12,885	159,371

■ PLATINUM NYMEX (50 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	406.0	+1.6	407.4	404.0	2,352	19,855
Jan	407.8	+1.5	410.0	405.8	429	3,136
Apr	410.1	+1.5	410.6	410.5	72	2,360
Jul	412.6	+1.5	418.0	416.5	100	154
Oct	418.5	+1.6	417.0	417.0	-	-
Total					2,955	25,867

■ PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	130.55	+0.80	131.00	130.00	507	6,160
Dec	131.45	+0.80	132.00	130.75	184	2,028
Mar	132.55	+0.80	-	-	50	116
Jun	133.60	+0.80	-	-	-	107
Total					761	8,402

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	502.1	+0.8	502.0	502.0	-	4
Sep	504.2	+0.7	505.5	502.5	10,282	63,450
Dec	511.9	+0.7	513.0	510.5	1,249	26,935
Mar	519.6	+0.6	520.5	518.5	402	7,960
May	524.8	+1.0	525.0	525.0	14	5,516
Jul	529.7	+1.2	530.0	530.0	184	4,120
Total					12,488	111,128

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, \$/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ CRUDE OIL IPE (\$/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ GAS OIL IPE (\$/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; \$/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	110.45	+0.20	110.35	110.00	27	376
Nov	112.00	+0.20	112.00	111.80	[illegible]	3,173
Jan	113.95	+0.15	114.00	113.90	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LCE (£ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; \$/ton) [illegible]

■ POTATOES LCE (£/tonne) [illegible]

■ FREIGHT (BIFFEX) LCE (\$10/index point) [illegible]

	Close	Prev
BFI	[illegible]	[illegible]

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1007	-4	1016	1001	1,089	40,873
Dec	1022	-2	1033	1017	2,833	37,785
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; \$/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LCE (\$/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ WHITE SUGAR LCE (\$/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100) [illegible]

■ CRB Futures (Base: 1967=100) [illegible]

■ GSCI Spot (Base: 1970=100) [illegible]

Nuts and Seeds
[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	67.950	-	68.150	67.650	7,399	15,393
Oct	70.050	-0.600	70.500	69.900	7,077	38,457
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20,418
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13,073
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,616
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,319
Total					[illegible]	97,987

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,773
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14,467
Dec	56.575	-0.425	57.090	55.950	2,300	10,045
Feb	76.200	-0.475	76.300	75.800	211	2,699
Apr	74.000	-0.575	74.400	73.750	36	977
Jun	78.475	-0.325	78.500	78.000	46	1,018
Total					16,769	34,272

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	104.475	+2	104.475	100.500	[illegible]	2,865
Feb	87.425	-2	89.750	87.425	2,486	3,962
Mar	86.825	-1.825	89.000	86.550	387	501
May	85.400	-2	87.400	85.400	[illegible]	232
Jul	84.150	-1.75	85.700	83.900	26	84
Aug	81.475	-2	83.475	83.475	-	-
Total					3,766	7,668

LONDON TRADED OPTIONS

Strike price \$ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1400	102	147	3	14
1500	27	79	28	45
1600	3	36	101	99
■ COPPER (Grade A) LME	**Sep**	**Dec**	**Sep**	**Dec**
1900	137	138	20	98
2000	73	92	55	151
2100	32	60	114	216
■ COFFEE LCE	**Sep**	**Nov**	**Sep**	**Nov**
1600	26	73	71	148
1650	15	58	108	183
1700	13	46	166	221
■ COCOA LCE	**Sep**	**Dec**	**Sep**	**Dec**
950	41	82	9	36
975	26	67	19	46
1000	14	55	32	88
■ BRENT CRUDE IPE	**Aug**	**Sep**	**Aug**	**Sep**
1900	-	67	8	46
1950	36	54	25	-
2000	13	36	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	\$18.06-8.16	-0.02
Brent Blend (dated)	\$19.58-9.59	+0.01
Brent Blend (Sep)	\$19.46-9.48	-0.02
W.T.I.	\$20.96-1.00x	-0.05

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	\$211-213	+2
Gas Oil	\$159-161	-1
Heavy Fuel Oil	\$91-93	
Naphtha	\$190-193	-1.5
Jet fuel	\$206-208	
Diesel	\$183-185	-1

■ NATURAL GAS (Pence/therm)

		+or-
Bacton (Sep)	13.60-13.70	-0.025

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

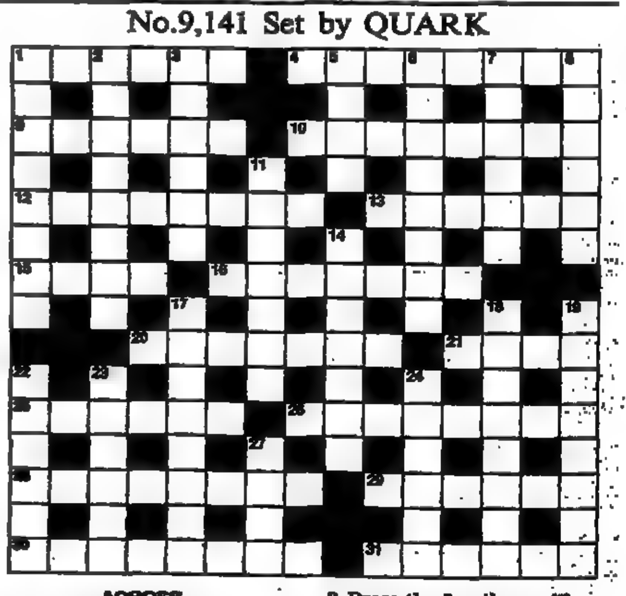
		+or-
Gold (per troy oz)♣	\$388.20	-0.40
Silver (per troy oz)♣	505.50c	-1.50
Platinum (per troy oz.)	\$401.275	-0.50
Palladium (per troy oz.)	\$128.50	+0.50
Copper	101.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.10r	+0.03
Tin (New York)	288.50	+2.00
Cattle (live weight)	96.03p	-
Sheep (live weight)	102.51p	-
Pigs (live weight)†	105.98p	-
Lon. day sugar (raw)	\$309.30	-4.0
Lon. day sugar (wte)	\$387.50	-3.1
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	\$141.5x	
Wheat (US Dark North)	Unq	
Rubber (Jul)♥	89.00p	
Rubber (Aug)♥	89.00p	
Rubber (KL RSS No1)	325.50m	+0.50
Coconut Oil (Phil)§	790.0w	-2.5
Palm Oil (Malay.)§	\$477.5	-2.5
Copra (Phil)§	\$502.0w	
Soyabeans (US)	214.0	
Cotton Outlook'A' index	76.70c	-0.60
Wooltops (64s Super)	420p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Sep. w Jul/Aug. z Aug/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,995 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,141 Set by QUARK



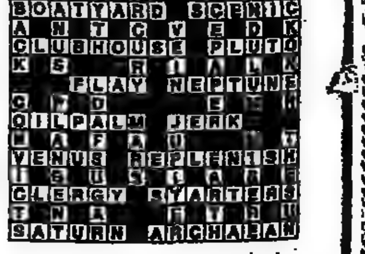
ACROSS

1 Dash back holding honour for anaesthetist? (6)
4 With 1 across one carries out many calculations (8)
9 1 across in tiny NE exchange (6)
10 A church dignitary could refer to 1 across (8)
12 Scores were sold in neck-wear (8)
13 A 1 across period of fasting in extremes of penury (6)
15 She's among the appellants (4)
16 English in the main shopping thoroughfare is uppermost (7)
20 This 1 across is innumerable (7)
21 This 1 across would be a boundary (4)
25 Find the officer in former surroundings (6)
26 Substance used by scientist treated lame chick mostly (8)
28 12 plus tens (8)
29 A 1 across of lectures in regular process (6)
30 Called to appear in court, do men resort to tot? (8)
31 1 across this is study of integers etc (6)

DOWN

1 1 across that's after the last hole (8)
2 Well-behaved RN, namely at sea? (8)
3 Press the fourth one (6)
5 Hinder build up (4)
6 With protuberances, eg nose, loud when blown (8)
7 Getting sharp calling without leader (6)
8 Puts turf down again in stages? (6)
11 Joy from Turkey? (7)
14 Idea nevertheless on time (7)
17 1 across applied to a collection of weeks? (5,3)
18 Harmony round the solo performance (8)
19 Orderly left out for showing buffoonery (8)
22 1 across these seen on vehicles (6)
23 Is master supporting school break? (6)
24 Classy, even charming (6)
27 Nothing else but a lake (4)

Solution 9,140



شكرا من الاهل

FT MANAGED FUNDS SERVICE

Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 · Jersey 01534 71696
Private Clients 0800 414181 · 00 352 250404236
From O'seas (44) 1732 777377 · Hong Kong (852) 848 1000

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
A$ Accum		A$18.920		+0.019	6.20
ASch Accum		Sch247.80		+0.04	2.10
C$ Accum		C$16.566		+0.006	3.50
DM Accum		DM39.199		+0.002	2.10
DFl Accum		Dfl31.567		+0.004	1.80
ECU Accum		Ecu13.412		+0.004	3.20
FFr Accum		FFr96.702		+0.014	2.80
HK$ Accum		HK$128.28		+0.03	4.20
Lire Accum		L23284		+14	8.00
NZ$ Accum		NZ$30.237		+0.027	8.90
NKr Accum		NKr111.77		+0.03	3.30
S$ Accum		S$25.822		+0.009	3.10
SPta Accum		Pta2703.1		+1.4	6.40
£ Accum		£13.011		+0.005	4.70
SKr Accum		SKr120.18		+0.04	4.40
SFr Accum		SFr28.345		+0.002	1.00
US$ Accum		$23.320		+0.006	4.40
Yen Accum		Y2589.9		—	0.10

Prices for dealing Aug 7

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1256, Hamilton, Bermuda · 001 809 292 2790
Jupiter Tyndall World Umbrella Fund Ltd

Eurobond	$15.72	16.51	+0.17	3.47
[illegible]				

Lloyds Intl Money Market Fund Ltd
Sarnia Hse, Le Truchot, St Peter Port · 01481 724983
Lloyds Bank Fund Managers (Guernsey) Ltd

	Selling Price	+ or -	Yield Gr's
Australian Dollar ◆	A$25.680	+0.0046	6.378
Canadian Dollars ◆	C$29.445	+0.0031	3.985
Deutschemarks ◆	DM59.240	+0.0009	2.407
Dutch Guilders ◆	Dfl56.919	+0.0010	1.901
ECU's ◆	Ecu39.744	+0.0047	3.497
French Francs ◆	FFr167.259	+0.0040	2.777
Italian Lira ◆	L28179.481	+5.0000	8.370
Japanese Yen ◆	Y3400.159	+0.0000	0.087
New Zealand Dollar ◆	NZ$94.694	+0.0218	9.144
Norwegian Kroner ◆	NKr322.022	+0.0008	3.585
Portuguese Escudos ◆	Esc7781.289	+0.0022	6.645
Spanish Pesetas ◆	Pta3335.757	+0.0038	5.738
Sterling Class ◆	£30.660	+0.0046	4.944
Swedish Kronor ◆	SKr183.655	+0.0022	4.634
Swiss Francs ◆	SFr60.784	+0.0020	1.461
US Dollar Class ◆	$41.741	+0.0065	4.880
Managed Sterling	£19.277	+0.0028	6.134
Managed US$	$25.467	+0.0020	5.559

Dealing daily

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port · 01481 722000

Island Global Fd.	0	1864.1	1985.3	−1	0.00
Island Gold	0	4525.3	4798.9	−5.5	0
(Accum. Units)	0	5079.2	6136.4	−10.4	0
Island UK Fd.	0	1017.3	1079.3	+2.3	3.57
(Accum Units)	0	2450.2	2597.2	+5.6	3.57

Prudential Fund Managers (Guernsey) Ltd
Po Box 61, St Peter Port Guernsey · 01481 726000
Prudential Money Funds Ltd

Managed Sterling		168.90	169.69	−0.1	4.01
Managed Dollar	5	$14.42	14.43	+0.01	3.26
Dollar Deposit		$10.10	10.11	—	3.84

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey · 01481 7137425

FAB £ Bond	3¼	£21.36	22.07	+0.01	5.52
FAB US$ Bond	3¼	$32.42	33.50	—	5.86
FAB £ Global	3¼	£18.13	18.73	−0.02	5.44
FAB US$ Global	3¼	$30.56	31.58	−0.05	5.64
[illegible]					

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

Barings International Fd Mgrs (Ireland) Ltd

Australia	$29.00	31.17	−0.03	0.66
Japan Fund	$24.25	25.48	−0.46	0.00
Malay Shg.	$130.75	137.29	+1.25	0.00
Nth American	$38.19	40.10	−0.01	0.00
Octopus Fund	$47.09	43.15	+0.17	0.00
Pacific Fd.	$109.54	115.02	−0.37	0.00
International Bond	$19.75	20.79	+0.02	6.22
Europa Fund	$21.41	22.48	−0.06	0.35
Trinity Warrant	$22.88	24.00		0.00
Hong Kong	$121.18	127.24	+0.11	1.19
Global Emerging Mkts	$11.29	11.80	−0.05	0.00
Latin American	$13.30	14.05	−0.13	0.00
Currency Fd-US Dollar	$37.97		+0.01	5.02
Curr Fd-Managed $	$37.42	19.39	−0.03	3.01
Korea Fund	$8.01	8.42	−0.07	0.00
Taiwan Fund NAV	309.56			0.00
Europe Small Frontier	$0.97	1.02	+0.01	0.00

Murray Johnstone (Dublin) Ltd
Europa House, Harcourt St, Dublin 2 · 3531 487 2880
Murray Global Accumulation Fund Plc

Murray Permanent Bond 2	102.87		+0.09	5.00

Odey Asset Management Ltd
80 Harcourt Street, Dublin 2 · 00 3531 780 2400

Odey European Gth Inc.	DM155.89	—	—
Odey European Gth Acc.	DM153.64	—	—
Odey European Gth Inc.	£86.93	—	—
Odey European Gth Acc.	$87.10	—	—

Baring Mutual (Ireland) Ltd

Umbrella Fund Inc.	$12.55	12.80	—	5.04
Capital America Fund Ltd	$87.84		—	0.00
Pacific Emerging 94 A	$55.16		—	0.00
Pacific Emerging 94 B	$51.67		—	0.00
Latin America	$97.70		−0.01	0.00

Berkshire KITC Growth Fund Plc

NAV	$9.16	−1.01	-

Berkshire Korea Fund Plc

NAV	$8.40	−0.02	-

Old Mutual International Fd Mngrs Ltd (a)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

[illegible]

Offshore Funds and Insurances

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Perpetual UT Mngrs (Jersey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Offshore Am Gwth Fd	$11.3079	11.4821	-	-
Offshore Emerging Cos	$7.4530	7.8203	-	-
Offshore Far East Gwth Fd	$5.0113	5.3256	-	-
Offshore Intl Gwth Fd	$8.0128	8.3658	-	-
Offshore Japanese Gwth Fd	$1.2747	1.3547	-	-
Offshore UK Growth Fd	$3.7510	3.9375	-	-
Offshore Asia Smaller Mkts	$1.7381	1.8471	-	-
Offshore Latin Am Growth	$1.0757	1.1432	-	-
Offshore European Gwth Fd	$2.5681	2.7292	-	-
Offshore Global Bond	$0.9643	1.0045	-	-
Offshore Global Bond Acc	$1.1420	1.1896	-	-

The Portugal Fund Limited

Lloyds Bank International (Jersey) Limited

NAV Aug 2	$7.10		-	-

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Ivory Growth Fund	£22.84	23.08	-	1.73
Lowes Aggressive Portfolio	£10.47	11.00	-	-
Lowes Defensive Ptfolio	£11.8	12.40	-	-
Lowes Selective Ptfolio Ltd	£11.10	11.74	-	-

For Schroder Mngrs (Jersey) Ltd see Hambros

TSB Fund Managers (CI) Ltd

TSB Island Portfolio	719.5	757.5	+1.1	-
Island Equity Acc	126.2	132.8	+0.1	-

WMB Asset Management (Jersey) Ltd

Fer Sel Cr Bks Jour (ecu)	$1009.61	1100.75	-	-

Worldinvest (Managers) Jersey Ltd

Worldinvest Inc Fd 1	£237.44	250.74	-	5.01
Evolve Global Eqty	$70.60	75.99	-	-
Gold & Global Fund Inc	£11.85	12.03	-	4.84

Valued weekly * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

[illegible]

E.T. Investment Management Ltd

13 Rue Goethe, BP 413, Luxembourg 00 352 404646217

	Init Notes Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Establishment Tst Aug 2		$2.51		+0.05	-

Eigistan Global SICAV (u)

13 Rue Goethe, L-1637, Luxembourg 00 352 404646213

Equity Portfolio Aug 1		$2.296		+0.026	-
Reserve Portfolio Aug 1		$2.076		+0.003	-

EquiFund–Wright National Eqty Fd (u) (x)

14 rue Aldringen, L-1118 Lux 00 352 479 98500

Australasian Nat.	A$15.79	15.95	-	-
Austrian Nat Equity	Sch95.79	66.05	-	-
Belgium/Lux Nat. Eqty	BFr728	736	-	-
French Nat Equity	FFr127.9	128.98	-	-
German Nat Equity	DM17.38	17.56	-	-
Dutch Nat Equity	Dfl37.04	37.42	-	-
Italian Nat Equity	L11891	12011	-	-
Japanese Nat Equity	Y1310	1324	-	-
Hong Kong Nat Equity	HK$116.14	117.30	-	-
Spanish Nat Equity	Pta1180	1192	-	-
UK Nat Equity	£10.25	10.35	-	-
United States Dlr Res	$10.85		-	-

Fidelity Funds (u)

Kansallis Hse, Place de l'Etoile, L-1021 Lux BP 2174

UK +01732 777377 Lux-00 352 250404 [illegible]

Major Market Funds

America	$2.234	-0.013	-
Europe	DM4.622	-0.013	-
International	$16.06	-0.12	-
Japan	Y138.7	-1.0	-
Pacific	$9.022	-0.078	-
South East Asia	$2.730	-0.014	-

Country Select Funds

ASEAN	$21.25	-0.18	-
Asian Special Situations	$10.08	-0.05	-
Australia	A$15.14	-0.11	1.40
Emerging Markets	$8.489	-0.032	-
European Sm Cos F	DM12.40	-0.02	-
France	FFr82.16	-0.32	-
Germany	DM19.81	+0.08	-
Hong Kong	$44.16	+0.13	0.65
Iberia	Pta1749	-14	-
Indonesia	$10.08	-0.04	-
Italy	L14256	-85	-
Japan Smllr Cos	Y1112	-10	-
Korea F	$9.580	-0.019	-
Latin America	$8.344	-0.079	0.56
Malaysia	$32.87	-0.28	-
Nordic	SKr163.3	-0.8	-

[illegible]

Manulife Regent Global Fund (u) (z)

13 rue Goethe, L-1637 00 352 [illegible]

American Gth Fund	$10.1735	[illegible]
European Gth Fund	$5.2422	[illegible]
Global Resources Fund	$4.1724	[illegible]
Intl Growth Fund	$2.1561	[illegible]
Japanese Gth Fund	$2.3587	[illegible]
Pacific Basin Gth Fund	$3.3638	[illegible]
Reserve Fund	$2.2198	[illegible]
Tiger Fund	$2.2154	[illegible]
UK Gth Fund	$1.9889	[illegible]

Mercury Asset Management S.A.

B.P. 1058, L-1010 Luxembourg 00 35[illegible]

Mercury Selected Tst-SICAV (u)

Belgian Franc Global Bond	[illegible]	1219	[illegible]
DM Global Bond	[illegible]	27.47	[illegible]
Dollar Global Bond	$12.91	13.80	[illegible]
Peseta Global Bond	Pta1401	1478	[illegible]
Sterling Global Bond	£10.79	11.37	[illegible]
Swiss Franc Global Bond	SFr102.8	107.81	[illegible]
Yen Global Bond	$15.08	15.88	[illegible]
European Bond	[illegible]	22.39	[illegible]
Global Portfolio	$13.66	14.39	[illegible]
Global Equity	$85.48	88.94	[illegible]
Emerging Markets	$11.39	12.00	[illegible]
Gold & Mining	$11.45	12.06	[illegible]
Australian & New Zealand	$23.93	24.78	[illegible]
Eastern European	[illegible]	34.27	[illegible]
European	$37.52	39.51	[illegible]
Japan	$21.43	22.57	[illegible]
Latin American	$9.14	9.63	[illegible]
North American	$40.14	42.27	[illegible]
Pacific	$19.23	20.25	[illegible]
Singapore & Malaysian	$28.22	29.72	[illegible]
United Kingdom	$36.60	38.53	[illegible]
Asian Opps	$27.32	28.80	[illegible]
European Opps	$29.90	31.48	[illegible]
Global Opps	$10.87	11.45	[illegible]
Japan Opps	$18.33	19.31	[illegible]
North American Opps	$41.34	43.53	[illegible]
United Kingdom Opps	£17.50	18.44	[illegible]
DM Reserve	[illegible]	111.80	[illegible]
Dollar Reserve	$104.45	104.45	[illegible]
Sterling Reserve	£114.95	114.95	[illegible]
Swiss Franc Reserve	[illegible]	107.07	[illegible]

Mercury Offshore Stlg Tst-SICAV (u)

Global	£1.779	1.883	[illegible]
Overseas	£1.948	2.064	[illegible]
European	£2.313	2.448	[illegible]
Japan	£0.983	1.043	[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

صكذا من الاصل

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Offshore Insurances and Other Funds

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Old Mutual International - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
Broker Managed Funds				
£ OFS Global Port	£1.331	1.431	—	—
£ YRA Worldwide	£1.374	1.477	—	—
$ YRA Dlr Worldwide	$1.460	1.570	—	—
Young & Co Bincd P'folio	$1.285	1.381	—	—
Pioneer Mid Term Agg	$1.099	1.182	—	—
Pioneer Long Term Cons	$1.053	1.132	—	—
Pioneer Long Term Agg	$0.879	0.945	—	—
S Thomson Haywood Man.	$1.119	1.203	—	—

PanEuroLife societe anonyme

39 Av Marie-Therese, Luxembourg

	Selling Price	Buying Price	+ or -	Yield Gross
French Balanced Aug 7	FFr1644.28		+57.91	—
German/Benelux Aug 7	DM3022.57		+53.91	—
Global Equities Aug 7	$1339.72		+28.79	—
UK Secure Gth Aug 7	£704.90		+10.57	—
US Secure Growth Aug 7	$1140.93		+31.07	—
Fund of Funds Aug 7			+24.91	—

Premier Life

	Selling Price	Buying Price	+ or -	Yield Gross
Davenport Gildrack £ Fd	£1.25	1.33	—	—
Matheson £ Pens	£1.06	1.12	—	—
Argent Blncd	£14.52		—	—
Argent Equity Gth	£22.65		—	—
OFS Aggressive $	$1.47	1.48	—	—
OFS Dlr Balanced Port	$1.45	1.49	—	—
CH 10	SFr1.84	1.88	—	—
LX 10	$1.82	1.74	—	—

Professional Investment Consultants

	Selling Price	Buying Price	+ or -	Yield Gross
Premier Lux $	$1.37	1.425	—	—
Premier Lux £	£1.38	1.442	—	—
PCI Worldwide Opps	£1.445	1.554	—	—
SPLA Flexible Growth	$1.043	1.126	—	—

Alpha Fund Management Ltd - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
India Performance Jun 30	$101.60		—	—

Aurora Capital Advisors LLC

Arc Investment Company Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Rainbow	$5060.71		—	—

Arnhold and S. Bleichroeder, Inc

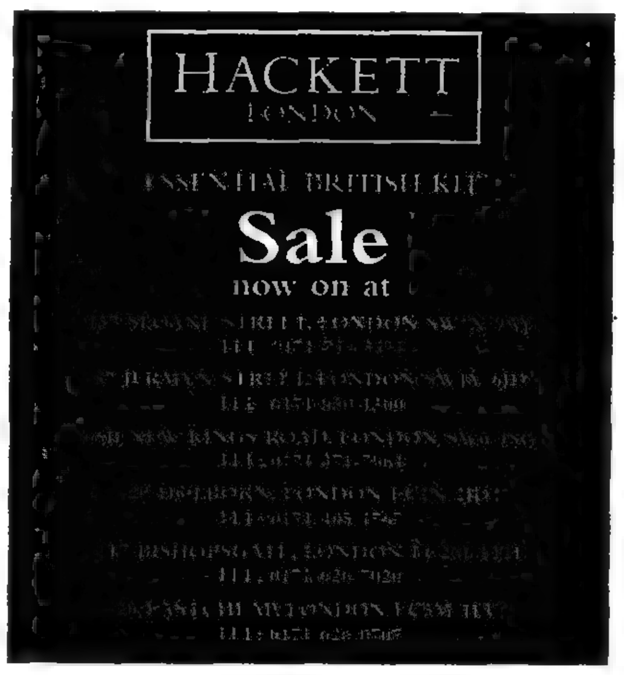
	Selling Price	Buying Price	+ or -	Yield Gross
Global Beverage—Class A	$109.26		—	—

Asia Pacific Capital Strategies Fund

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Aug 5	$9.50		—	—

Asia Pacific Securities Corp Ltd

Asian Convertibles & Income Fd (Cayman)



Global Asset Management - Contd.

Jardine Fleming Unit Trusts Ltd - Contd.

Only available during special offer periods *

OTHER OFFSHORE FUNDS

ATSP Management Ltd

AXA Asset Management

Africa Emerging Markets Fund

Alliance Capital

Alpha Fund Management Ltd

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الاصل

صحكنا من الاهل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		[illegible]		[illegible]	[illegible]	[illegible]	3.5	
[illegible]		[illegible]		[illegible]	[illegible]	[illegible]	2.0	-
Gold Flds Prop R		[illegible]		170	130	12.9	[illegible]	9.2
[illegible]		[illegible]		[illegible]	[illegible]	[illegible]	11.5	-
SASOL		[illegible]		710	475	[illegible]	1.7	-
SA Brews		[illegible]		[illegible]	[illegible]	5,101	2.0	
Standard Bank		[illegible]	[illegible]	[illegible]	[illegible]	3,008	1.5	21.3
Tiger Oats		[illegible]		1270	770	1,249	2.0	16.3
Tongaat-Hulett		[illegible]		1247	735	866.7	2.5	

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Rule 4.2(a) Irish incorporated non-listed companies
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield: p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield: p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue
H Yield based on prospectus or other official estimates for 1995
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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Focus Plus (FT and Investors Chronicle news) £8.95.
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Call 0171 873 4378 for more information on FT Cityline.
For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 index regains the 3,800 level

By Philip Coggan,
Markets Editor

The FT-SE 100 index moved up towards the top end of its recent 3,650-3,850 trading range yesterday, despite a warning from the Bank of England that interest rates would need to rise if the government is to meet its inflation target.

It was hard to pin down the exact reason for Footsie's rise. A dash of takeover speculation certainly helped but the day's corporate results, while generally as good as, or better than, expectations, saw three of the four reporting Footsie constituents fall in price.

Whatever the cause, Footsie recorded its sixth consecutive gain, adding 22.7 points to 3,811.1. It was ahead throughout the session, and held on when the Dow Jones Industrial Average, after an early rise, slipped to an 8 point loss by the close of London trading. The FT-SE Mid-250 index added 15.5 to 4,309.

The Bank's views on rates, which were published in its quarterly inflation report, had been well aired in the weekend press and traders greeted the news with equanimity. Short sterling futures, the market's vehicle for speculating on rate changes, weakened a little but were still only looking for base rates to edge up to 6 per cent by March 1997. Gilts were supportive, with the benchmark 10 year issue rising by an eighth of a point.

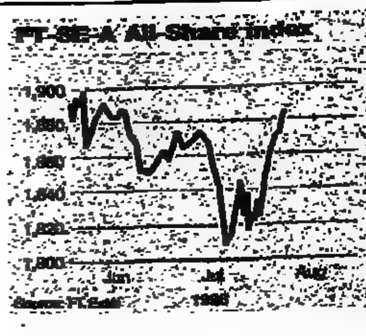
Whatever the economic arguments, the market is aware that the chancellor has political reasons to cut rates. And, on the electoral front, traders yesterday reacted positively to the latest opinion poll which showed the Conservatives narrowing the gap with Labour.

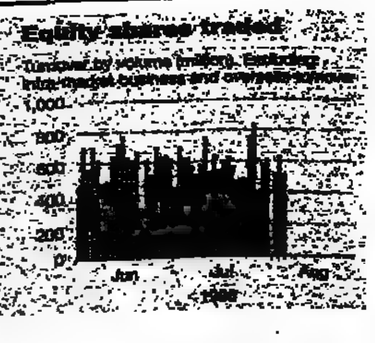
Figures from Abbey National, Standard Chartered and GKN were mostly in line with expectations but profit-taking, and some disappointment at the lack of a buy-back from Abbey, took the shine off the shares.

But bulls could take cheer from renewed hopes of a multi-billion pound takeover. Last week, the rumours centered on Unilever and Cadbury Schweppes; yesterday, on top of some renewed utilities talk, the gossip concerned Reed, and a possible move for either Reuters or Pearson, the media group which owns the Financial Times. Analysts, however, were dubious about the likelihood of such a move.

Mr George Hodgson, UK equity strategist at SBC Warburg says "there are a few fairly wild takeover stories flying around and one must remember we're in the middle of the summer and volume is thin. Results have been pretty positive but, while financials have done very well, industrials have looked good only in relation to reduced expectations."

Turnover received a lift from a £100m plus programme trade, which was designed to rebalance the UK portfolio of a foreign institutional investor. By the 6pm count, the number of shares traded was 808.9m. The value of retail business on Tuesday was £2.16bn, the healthiest level for some time, thanks to the Barclays buy-back programme.





Indices and ratios

FT-SE 100	3811.1	+22.7
FT-SE Mid 250	4309.0	+15.5
FT-SE-A 350	1906.0	+10.4
FT-SE-A All-Share	1883.21	+10.05
FT-SE-A All-Share yield	3.91	3.92
FT Ordinary index	2787.8	+17.5
FT-SE-A Non Fins p/e	17.11	16.84
FT-SE 100 Fut Sep	3819.0	+22.0
10 yr Gilt yield	7.74	7.76
Long gilt/equity yld ratio	2.07	2.08

Best performing sectors

1 Tobacco ... +1.6
2 Gas Distribution ... +1.5
3 Retailers : Food ... +1.5
4 Media ... +1.4
5 Electricity ... +1.2

Worst performing sectors

1 Pharmaceuticals ... -0.5
2 Health Care ... -0.3
3 Extractive Inds ... -0.3
4 Electronic & Elec ... -0.3
5 Building Mats ... -0.2

Brokers warm to Reuters

News and financial information group Reuters was the second best performer in the FT-SE 100, climbing 22 to 729p, the first real sign of a bounce since it weakened after its results last month.

A number of brokers have recently turned more positive on the stock, including Panmure Gordon, which made a "buy" recommendation last week.

Analysts, however, were sceptical about rumours, said to emanate from Holland, that Reed Elsevier may announce an acquisition or a bid today at its half-yearly results. Analysts poured scorn on rumours that Reuters or Pearson might be a target.

Reuters, they said, would be both an expensive mouthful for Reed, as well as an impossible hostile bid target given its share structure, while the time to strike at Pearson might have been better aimed last week when it reached a two-year relative low.

Other more persistent rumours were that Reed might have Blenheim or the information service Bloomberg in its sights. Shares in Reed International, the UK arm of Reed Elsevier, added 21 to 1150p.

Pearson continued to rise, up 9 to 654p, with the help of relief about the better than expected results and the Westminster Press disposal.

Better than expected half-year results, with profits up by 39 per cent, helped Metal Bulletin add 63 to 1063p.

Stake in P&O

Transport leader P&O put on some steam following the early morning announcement that PDFM, the UK asset management wing of UBS, had built up a 10.1 per cent stake in the company.

PDFM has a long history of buying heavily into underperforming or undermanaged companies. "They like to get in early and go for the long ride," said one top transport analyst yesterday.

Beset by doubts about trading, P&O shares have moved sideways lately. Ferries are embroiled in a price war with Eurotunnel and container shipping is facing signs of industry overcapacity.

The shares have lagged the market by 4 per cent over the past three months. They bounced 10 to 506p yesterday.

Elsewhere in the sector, Railtrack partly-paid put on 4¼ to 231p in the hope that the group's report and accounts, due out today, will provide good news on trading.

A profits warning from Applied Distribution sent the shares down 53 to an all-time low of 92p

Utilities active

Utilities, both water and electric, bounced back into action following a strong revival of takeover and share buy-back talk.

Rumours of an impending US bid swept through the recs sector after a Virginian newspaper reported that Dominion Resources, which owns state generator Virginia Power, had been refused permission to mount an offer for East Midlands Electricity.

Although East Midlands denied it had been approached by a US bidder, the press report brought the US takeover spotlight back directly into focus. Among Footsie stocks, Southern gained 22 to 683p and PowerGen 7 to 503p. London added 18 to 638p. Yorkshire went up 20 to 723p and Northern 14 to 548p.

East Midlands ended 14 better at 597p in 2.3m traded. Volume throughout the sector was relatively modest.

Among waters, Severn Trent bounced to the top of the Footsie rankings as investors were said to have narrowed their search for the next share buy-back story to a handful of stocks.

There was said to have been a Severn Trent buy order for 500,000 shares. The stock closed up 18 at 597p. Most brokers set little store by the buy-back hopes.

Tesco added 5 to 296p, with UBS reiterating its "buy" stance and upgrading its forecasts for the next three years, including an increase from £730m to £745m in the current year.

UBS said it was optimistic about improved like-for-like sales in years two and three. It also said that the Czech and Slovak outlets of K-Mart, which Tesco agreed to acquire in March, were likely to contribute more than previously expected next year.

Despite the Bank of England's cautionary inflation report, growing confidence that interest rates will not rise assisted several retailing stocks, particularly the durables.

Argos, which has interims on August 19, rose 11 to 745p, Kingfisher put on 13 to 638p and MFI Furniture added 7 to 187p.

Speculation about a share buy-back helped boost ICI 10 to 796p. Analysts dismissively said they had also heard rumours of a bid from Germany for the chemicals group, but pointed to a slight stock shortage as the most likely cause for the rise.

Support services leader Rentokil, which has been a dull performer since it completed the takeover of BET, bounced strongly in above-average volume.

Over the past month the shares have the lagged the market by around 7 per cent as some brokers have taken a generally cautious stance. Many saw the BET bid as a defensive move to bolster slowing markets.

At all events, sentiment swung back on to the offensive yesterday. The shares ended at the top of the Footsie charts, up 12½ at 404p in 7.6m traded.

The latest round of solid results statements from the banking sector found no favour with investors yesterday and both Abbey National and Standard Chartered moved sharply lower.

Standard Chartered appeared to run into profit-taking in spite of a general move by brokers to upgrade full year profit estimates.

The reaction at Abbey National, which turned in the day's worst Footsie performance, was more puzzling to banking analysts. There was disappointment at the absence of share buy-back news plus some doubts about the trading outlook.

"The bank's net share of the mortgage market has shaded and there seem to have been slacker trends in retail banking", said one analyst. "Even so, I'm a bit surprised by the extent of the shakeout", he added.

Abbey ended off 14 at 587p and Standard closed 13 lower at 699p. Barclays was again the top performer in the sector, up 27½ to an all-time high of 900p. Shares have jumped more than 6 per cent in two days.

GKN, a strong market over the past few days, ran into profit-taking in spite of better-than-expected interim figures, which sparked modest broker upgrades.

FINANCIAL TIMES EQUITY INDICES

	Aug 7	Aug 6	Aug 5	Aug 2	Aug 1	Yr ago	*High	*Low
Ordinary Share	2787.8	2770.3	2775.1	2772.4	2748.2	2596.7	2865.2	2668.8
Ord. div. yield	4.08	4.10	4.10	4.10	4.14	4.09	4.22	3.76
P/E ratio net	16.43	16.33	16.34	16.33	16.20	15.66	17.25	15.80
P/E ratio nil	16.27	16.17	16.18	16.17	16.03	15.45	17.03	15.71

Ordinary Share index since compilation: high 2865.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2775.0	2782.5	2780.2	2778.7	2778.7	2779.5	2782.8	2791.3	2789.9	2791.9	2775.0

	Aug 7	Aug 6	Aug 5	Aug 2	Aug 1	Yr ago
SEAQ bargains	32,267	31,412	33,461	33,225	29,980	22,881
Equity turnover (£m)†	-	2159.8	1390.3	1830.4	1638.3	1872.9
Equity bargains†	-	37,678	39,081	36,512	31,575	35,040
Shares traded (ml)†	-	528.0	507.0	855.6	512.7	832.0

†Excluding intra-market business and overseas turnover.

	Aug 7	Aug 6	Aug 5	Aug 2	Aug 1	Yr ago	*High	*Low
FT-SE AIM	1053.10	1046.00	1046.20	1040.60	1044.10	-	1149.49	965.70

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	717	Total Highs	58	Total contracts	83,087
Total Falls	526	Total Lows	25	Calls	36,124
Same	1,458			Puts	46,963

Aug 7 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3804.0	3819.0	+23.0	3825.0	3803.0	12043	60960
Dec	3835.0	3840.5	+23.5	3842.0	3831.0	772	2597
Mar		3849.0	+23.0			0	310

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4307.0	+15.0			0	3491

FT-SE 100 INDEX OPTION (LIFFE) (*3813) £10 per full index point

	3650		3700		3750		3800		3850		3900		3950		4000	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Aug	163	1½	114	3	69½	8	31½	22	9½	49½	2	92	1	141	1	191
Sep	186	16½	143½	25	105½	37½	74	55½	48½	80	28	112	15½	149	7½	192½
Oct	202½	30½	163½	42	128	55½	97½	74½	71½	99	49	126½	33½	162	28½	201
Nov	219½	43½	189½	54	147½	70	115½	88	89½	111½	65½	137½	46	170	32	205½
Dec†			284½	69½			142	105½			91½	155			59½	219

Calls 11,222 Puts 9,340

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3625		3675		3725		3775		3825		3875		3925		3975	
Aug	185½	1½	137	2½	99	5½	48½	113½	19	34	4	69	1	115	1	165
Sep	285	12	181½	18½	122	28½	87	43	58	64	35½	81	20½	125½	11	165½
Oct	228½	23½	180½	33½	143½	45½	111	62½	81½	84½	60	110½	41	141	28½	175½
Dec	262	51½			190½	77½			128½	113			89	162½		
Mar†	288½	91			238½	111			174½	151½			127	200½		

Calls 10,508 Puts 31,254 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§70	F.P.	15.4	78	72	†AND Intl	72		-	-	-	-
§90	F.P.	8.82	58	33	†Allzyme	51	-2	-	-	-	-
§	F.P.	208.0	236	226	Allied Carpets	234		-	-	-	20.3
*	F.P.	903.0	£20½	£18¾	Alumax	£20¼	-⅜	-	-	-	-
§215	F.P.	219.0	238	215	Atkins WS	238	+5	L5.8	2.4	3.0	19.2
100	P.P.	1,405	109½	[illegible]	British Energy	102¾	-¼	F13.7	-	8.5	-
§71	F.P.	16.1	109	78	†Digital Animatns	103	+12	-	-	-	-
§8	F.P.	3.07	5	4	†Drings of Bath	4		-	-	-	-
§145	F.P.	31.1	155	146	†Elec Retail Sys.	146		-	-	-	-
§	F.P.	2.82	53	41	†Fayrewood	48		-	-	-	-
163	F.P.	21.1	192	160	†HIT Entm	189	+2	-	-	-	61.4
§100	F.P.	24.2	98	94	Hoare Gvt 1000 C	97		-	-	-	-
§12	F.P.	0.65	15	12	†Life Numbers	13	-1	-	-	-	-
§	F.P.	0.16	6	2	†Life Numbers Wts	5	-1	-	-	-	-
§	F.P.	0.25	1½	1	†Lotteryking Wts	1½		-	-	-	-
-	F.P.	1.25	19	17	NECA	17		-	-	-	-
§170	F.P.	34.6	187½	164	Plasmon	182	+7	-	-	-	28.2
-	F.P.	0.36	2	1½	†Pordum Foods Wts	1¾		-	-	-	-
§105	F.P.	29.2	127	105½	Robert Walters	127	+10	L2.0	3.9	2.0	16.2
§149	F.P.	18.5	158	151	†SCI Ent	156		-	-	-	-
§100	F.P.	80.2	96	91	Schroder Em Ctrs	92		-	-	-	-
§	F.P.	0.26	38	31	Schroder Em Wts	38	+1	-	-	-	-
-	F.P.	39.3	360	343	Schroder Em Ct C	357	+3	-	-	-	-
§66	F.P.	13.3	70	66	†Selector	66		-	-	-	-
§525	F.P.	101.5	625	472	Therap'tic Antbd	474		-	-	-	-
§134	F.P.	29.5	179	143	†UNO	165		-	-	-	39.0
-	F.P.	4.63	125	120	†West 175 Entrs	125		-	-	-	-
*	F.P.	5.23	12	9	†Xavier Computer	10		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Aug 6	% chg on day	Aug 5	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	2068.55	-0.2	2074.81	2014.14	1.53	-	2520.73	1722.88
Regional Indices								
Africa (13)	2732.07	-1.8	2775.86	2833.72	2.88	38.21	3563.66	2272.74
Australasia (7)	2378.21	+1.4	2344.94	2469.70	2.40	22.57	2927.34	2123.80
North America (11)	1840.98	+0.6	1840.19	1712.82	0.72	86.76	2186.39	1489.84

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FT - SE Actuaries Share Indices — The UK Series

	Aug 7	Day's chge%	Aug 6	Aug 5	Aug 2	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3811.1	+0.6	3788.4	3788.3	3770.6	3468.8	4.10	2.07	14.71	113.88	1570.31
FT-SE Mid 250	4309.0	+0.4	4293.5	4288.4	4265.7	3658.2	3.49	1.61	22.26	121.74	1742.26
FT-SE Mid 250 ex Inv Trusts	4340.5	+0.3	4325.9	4319.2	4298.2	3673.4	3.59	1.64	21.20	128.52	1756.60
FT-SE-A 350	1906.0	+0.5	1895.6	1895.1	1886.0	1728.7	3.97	1.99	15.86	56.28	1605.04
FT-SE-A 350 Higher Yield	1840.9	+0.6	1830.5	1834.3	1823.8	1724.5	5.28	1.91	12.49	71.74	1301.72
FT-SE-A 350 Lower Yield	1976.5	+0.5	1966.0	1963.2	1955.5	1735.9	2.79	2.13	21.11	41.24	1375.30
FT-SE SmallCap	2114.27	+0.4	2106.04	2100.18	2094.10	1940.70	3.13	1.69	23.64	42.12	1743.21
FT-SE SmallCap ex Inv Trusts	2104.81	+0.3	2097.94	2091.37	2087.80	1917.22	3.35	1.77	21.05	44.34	1746.69
FT-SE-A ALL-SHARE	1883.21	+0.5	1873.16	1872.28	1863.56	1709.33	3.91	1.97	16.26	54.22	1610.09

FT-SE Actuaries All-Share

	Aug 7	Day's chge%	Aug 6	Aug 5	Aug 2	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3557.36	+0.4	3541.63	3530.89	3505.94	2932.98	3.82	1.63	20.08	79.25	1532.72
12 Extractive Industries(8)	4092.20	-0.3	4106.18	4140.89	4121.75	4036.38	3.82	2.52	12.66	109.19	1204.20
15 Oil, Integrated(3)	3657.16	+0.6	3634.75	3616.31	3598.98	2921.60	3.89	1.48	21.16	81.84	1616.07
16 Oil Exploration & Prod(15)	2527.86	+0.1	2524.91	2517.83	2505.48	2022.78	2.06	1.55	39.01	34.94	1522.48
20 GEN INDUSTRIALS(276)	1992.66	+0.3	1985.78	1986.52	1977.01	1988.21	4.35	1.84	15.61	53.39	1097.81
21 Building & Construction(34)	1134.75	+0.5	1129.37	1126.78	1123.09	977.94	3.65	1.67	20.54	23.05	953.67
22 Building Matls & Merchs(28)	1842.99	-0.2	1847.32	1837.67	1821.89	1836.81	4.15	1.71	17.58	47.61	937.74
23 Chemicals(25)	2402.45	+0.9	2381.29	2378.38	2371.99	2498.60	4.21	1.61	18.41	62.26	1146.71
24 Diversified Industrials(19)	1513.43	+0.6	1503.86	1508.23	1499.99	1610.77	6.88	1.69	10.75	57.26	854.93
25 Electronic & Elect Equip(37)	2299.73	-0.3	2306.49	2333.26	2324.99	2027.01	3.39	1.66	22.32	58.61	1208.98
26 Engineering(71)	2431.09	+0.6	2417.80	2416.51	2410.85	2100.43	3.31	2.43	15.53	52.83	1487.26
27 Engineering, Vehicles(14)	3055.09	-0.1	3058.94	3022.37	3005.58	2476.37	3.49	2.01	17.85	73.79	1597.42
28 Paper, Pckg & Printing(26)	2596.85	+0.6	2582.22	2577.51	2573.63	2988.80	3.97	1.99	15.86	64.19	1090.84
29 Textiles & Apparel(19)	1263.01	-0.1	1263.72	1272.82	1276.10	1679.17	5.61	1.58	14.15	42.36	779.77
30 CONSUMER GOODS(91)	3605.46	+0.1	3602.63	3632.15	3621.40	3293.99	3.91	1.94	16.48	87.34	1341.41
32 Alcoholic Beverages(6)	2799.21	+0.7	2778.85	2789.15	2784.84	2777.68	4.51	1.62	17.12	91.69	1023.48
33 Food Producers(24)	2511.12	+0.1	2509.68	2523.78	2525.24	2585.54	4.15	1.85	16.30	70.29	1145.33
34 Household Goods(15)	2559.01	+0.5	2545.21	2530.72	2525.56	2899.28	3.89	2.15	14.95	59.03	983.01
36 Health Care(20)	2009.21	-0.3	2016.26	2020.49	2015.18	1894.82	2.69	2.16	21.56	35.96	1227.98
37 Pharmaceuticals(15)	5250.08	-0.5	5275.29	5337.13	5298.10	4192.93	3.22	2.07	18.76	91.73	1786.89
38 Tobacco(1)	4370.97	+1.6	4303.21	4349.80	4379.45	4413.33	6.00	2.06	10.14	156.18	1097.98
40 SERVICES(252)	2505.44	+0.7	2487.04	2487.37	2480.55	2159.60	2.93	1.89	22.58	55.68	1313.60
41 Distributors(31)	2730.78	+0.4	2720.43	2715.12	2715.54	2889.80	3.20	1.74	22.40	54.16	1013.41
42 Leisure & Hotels(24)	3133.21	+0.3	3125.10	3123.96	3123.31	2476.93	2.76	1.96	22.93	154.38	1894.02
43 Media(45)	4174.23	+1.4	4115.94	4087.95	4078.50	3220.31	2.20	1.84	30.85	59.85	1516.80
44 Retailers, Food(14)	2025.18	+1.5	1995.75	1997.59	1995.42	2160.21	3.79	2.32	14.26	46.71	1299.67
45 Retailers, General(43)	2077.85	+0.1	2074.76	2084.92	2088.20	1779.80	3.04	2.13	19.34	47.32	1198.74
47 Breweries, Pubs & Rest.(24)	3099.04	.....	3097.72	3108.06	3098.43	2858.52	3.31	1.98	19.07	67.05	1502.12
48 Support Services(49)	2422.52	+1.4	2388.91	2405.80	2404.80	1724.85	1.93	2.29	28.25	33.52	1546.96
49 Transport(22)	2383.16	+0.3	2375.73	2373.22	2377.03	2324.80	4.00	0.93	33.47	56.33	1002.06
60 UTILITIES(33)	2331.50	+1.1	2305.72	2296.62	2286.76	2506.06	5.47	1.99	11.50	151.55	1035.05
62 Electricity(11)	2462.30	+1.2	2432.78	2414.58	2399.24	2694.03	6.60	2.45	7.74	404.44	1319.81
64 Gas Distribution(2)	1319.82	+1.5	1300.42	1310.02	1313.22	1906.21	9.08	1.36	10.14	66.67	892.15
66 Telecommunications(8)	1971.03	+1.0	1951.74	1944.92	1938.44	2099.50	4.09	1.73	17.65	50.20	915.45
68 Water(12)	2221.81	+1.2	2196.24	2180.66	2162.21	2095.16	5.94	2.36	8.91	88.50	1253.02
69 NON-FINANCIALS(696)	1983.47	+0.5	1973.12	1975.06	1967.22	1834.02	3.89	1.88	17.11	58.10	1522.50
70 FINANCIALS(104)	3062.33	+0.6	3045.02	3023.16	3001.98	2532.39	4.29	2.43	11.98	89.65	1333.66
71 Banks, Retail(8)	4371.12	+0.7	4339.28	4291.65	4268.01	3428.10	4.15	2.71	11.12	131.64	1446.81
72 Banks, Merchant(6)	3475.79	.....	3476.00	3461.49	3463.82	3644.30	2.84	2.50	17.59	62.39	1109.58
73 Insurance(22)	1472.01	+0.5	1464.95	1458.99	1442.63	1390.82	5.84	2.44	9.08	49.20	1116.91
74 Life Assurance(6)	3480.34	-0.1	3484.87	3491.29	3457.86	2771.86	4.30	2.24	13.01	100.72	1458.98
77 Other Financial(21)	2538.36	+0.6	2524.06	2516.84	2489.67	2197.74	4.15	1.79	16.78	68.15	1460.85
79 Property(41)	1596.36	+0.5	1588.74	1588.92	1583.01	1479.68	4.01	1.25	25.02	39.90	993.98
80 INVESTMENT TRUSTS(126)	3127.30	+0.6	3107.70	3109.71	3083.59	2920.70	2.26	1.11	49.67	45.52	1097.98
89 FT-SE-A ALL-SHARE(926)	1883.21	+0.5	1873.16	1872.28	1863.56	1709.33	3.91	1.97	16.26	54.22	1610.09
FT-SE-A Fledgling	1220.89	+0.1	1219.13	1218.02	1212.89	1037.98	2.81	2.37	18.81	21.04	1283.55
FT-SE-A Fledgling ex Inv Trusts	1234.35	+0.1	1233.40	1232.14	1227.47	1030.79	3.01	2.55	16.31	22.76	1298.43

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3794.7	3806.6	3802.5	3801.3	3802.3	3801.2	3804.7	3813.7	3813.1	3815.8	3794.7
FT-SE Mid 250	4295.7	4298.6	4301.5	4302.3	4304.5	4305.5	4306.9	4309.3	4309.2	4310.2	4295.2
FT-SE-A 350	1898.3	1903.3	1901.9	1901.5	1902.1	1901.8	1903.3	1907.0	1906.6	1907.9	1898.3

Time of FT-SE 100 Day's high: 3:54 PM Day's low: 8:30 AM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 3632.3 (16/07/96).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1120.4	1121.9	1123.5	1123.3	1124.4	1125.0	1125.0	1125.2	1126.1	1126.1	1120.0	+6.1
Pharmaceuticls	5212.2	5226.5	5210.2	5204.4	5195.5	5196.8	5196.8	5199.7	5186.3	5180.0	5206.3	-26.3
Water	2190.0	2188.0	2190.6	2191.2	2191.8	2195.0	2204.8	2217.0	2216.4	2209.6	2183.6	+26.0
Banks, Retail	4398.0	4432.8	4420.5	4417.1	4415.4	4414.7	4419.1	4430.1	4432.8	4426.9	4394.7	+32.2

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	130	445	+3
ASDA Group†	5,900	116¾	+2½
Abbey National†	11,600	587	-14
Albert Fisher	8,500	49¾	+½
Allied Domecq†	1,400	480	+6
Anglian Water	1,000	571	+7
Argos†	1,300	745	+11
Arjo Wiggins	7,300	173	
Assoc. Brit. Foods†	659	397	
Assoc. Brit. Ports	748	282	+3
BAA†	1,200	477	-1
BAT Inds.†	4,000	516	+3
BBA	1,200	314	+3
BICC	246	321	+3
BOC†	1,800	886	+11
BP†	8,000	608½	+5½
BPB Inds.	721	334	+3
BSkyB†	927	409	+3
BT†	11,000	375½	+4
BTR†	6,400	249½	+2½
Bank of Scotland†	5,400	249	-1
Barclays†	10,000	900	+27½
Bass†	1,300	817	-3
Blue Circle†	1,300	[illegible]	
Booker	453	376	-2
Boots†	1,300	614	-1
Britannic	490	753	
Brit. Aerospace†	1,400	[illegible]	+7
British Airways†	2,800	[illegible]	-1
British Biotech	718	225	-3
British Energy	8,900	102¾	-¼
British Gas†	8,900	187	+3
British Land	1,400	451	+3
British Steel†	5,800	164	+1
Bunzl	982	225½	+½
Burmah Castrol†	1,800	[illegible]	+1
Burton†	14,100	150½	+½
Cable & Wire†	1,900	408	+2
Cadbury Schweppes†	2,800	516	-4
Caradon	2,800	209½	-½
Carlton Comms.†	2,100	473	+3
Chubb	850	340	+3
Coats Viyella	3,000	184	-1
Comm. Union†	1,400	617	+4
Compass	2,200	548	+3
Cookson†	1,300	283	+1
Courtaulds†	1,800	445	+7
Dalgety	290	345	-2
De La Rue	259	607	+2
Dixons†	385	508	+1
East Midland Elect.	2,300	597	+14
Electrocomps	1,500	[illegible]	+3
Eng China Clays	801	250	-1
Enterprise Oil†	716	488	-3
Eurotunnel Units	129	106	+3
FKI	1,800	174	+1
Foreign & Col. I.T.	361	157	+1
Gen. Accident†	357	671	+11
General Elect.†	8,800	378½	-3½
Glaxo Wellcome†	4,700	[illegible]	-1
Glynwed	815	348	+4
Granada†	1,300	836	+4
Grand Met.†	4,400	450	+3
GUS†	2,700	602	+7
Greenalls	435	[illegible]	+3
GRE†	1,200	251	
GKN†	1,900	1026	-3
Guinness†	1,400	475	+3
HSBC (75p shs)†	6,500	1185	+17
Hammerson	1,400	384	-1
Hanson†	16,600	167¾	+1½
Harrisons Crosfield	798	128	+1
Hays	5,600	433½	-1½
Hillsdown	994	163	+1
Hyder	763	[illegible]	-2
IMI	579	379	
ICI†	2,300	796	+10
Inchcape	2,000	265	+1
Johnson Matthey	291	503	+1
Kingfisher†	1,400	638	+13
Kwik Save	253	438	-1
Ladbroke†	6,800	190	+½
Land Securities†	908	660	+4
Laporte	707	734	-2
Legal & General†	980	724	+5
Lloyds Abbey	362	561	+6
Lloyds TSB†	10,800	332	
LASMO†	5,300	185	+1
London Elect	3,000	[illegible]	+18
Lonrho	1,100	164½	-4½
Lucas	11,800	236	-1
MEPC	2,200	436	+6
MFI	2,400	187	+7
Marks & Spencer†	3,700	483	-5
Mercury Asset Man	308	948	+17
Morrison (Wm.)	462	165½	+1½
NFC	3,100	163	-1
NatWest Bank†	5,900	659	+6½
National Grid†	4,500	175	-1
National Power†	6,100	415½	-1
Next†	1,400	545	-4
Northern Elect.	365	548	+14
Northern Foods	757	190	+1
Orange†	2,000	194	+1
Pearson†	1,200	654	+9
P & O†	2,000	505	+10
Pilkington†	5,000	[illegible]	+2½
PowerGen†	2,300	503	+7
Premier Farnell	1,300	[illegible]	+6
Provident Financial	222	445	+1
Prudential†	5,200	432	+3
REXAM	598	371	+7
RMC†	290	1031	+9
RTZ†	838	[illegible]	-6
Racal	1,900	295	-1
Railtrack	7,300	221	+4½
Rank Org.†	2,600	465	+6
Reckitt & Colman†	2,100	671	-3
Redland†	938	[illegible]	+8
Reed Intl.†	2,800	1150	+21
Rentokil†	7,600	404	+12½
Reuters†	10,600	729	+22
Rolls Royce†	2,100	238	+1½
Royal & Sun Alliance†	2,000	395	+1
Royal Bk Scotland†	5,400	512	+4½
Safeway†	1,400	343½	+3½
Sainsbury†	5,100	400	+3
Schroders†	252	1255	-3
Scottish & New.†	1,700	557	-1
Scot. Hydro-Elect.	817	309	+7
Scottish Power†	1,700	321	+4½
Sears	2,200	96	-1
Sedgwick	844	124	
Severn Trent†	1,700	597	+18
Shell Transport†	5,400	894	+5
Siebe†	1,800	[illegible]	+13
Slough Ests	742	232	+3
Smith (W.H.)	272	457	-3
Smith & Nephew†	4,500	182½	-½
SmKl Beecham†	3,100	705	-6
Smiths Inds.†	3,200	732	+6
Southern Elect†	2,000	[illegible]	+21
South West Water	1,200	711	+1
Southern Water	4	1054	+1
Standard Chartd.†	7,800	699	-13
Storehouse	792	297	+5
T&N	318	135	
TI Group†	1,600	515	-1
Tarmac	2,500	101	-1
Tate & Lyle†	1,900	457	
Taylor Woodrow	754	164	
TeleWest Comms	283	142	-4
Tesco†	3,800	296	+5
Thames Water†	835	553	+7
Thorn EMI†	575	1766	+12
Tomkins†	1,300	259	-2
Unigate	927	417	+2
Unilever†	1,100	1260	+5
United Biscuits	226	214	+1
Utd. News & Media†	1,700	655	+2
United Utilities†	1,700	590	+5
Vodafone†	2,800	244½	+3
WPP	314	211½	-1½
Wessex Water	1,000	348	
Whitbread†	7,900	697½	+7½
Williams Hldgs.†	95	339	+1½
Willis Corroon	276	133	-1
Wimpey	4,300	136	-1
Wolseley†	1,200	435	-7
Yorkshire Elect	397	723	+20
Yorkshire Water	811	649	+10
Zeneca†	893	1432	-9

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

صكا من الاجمل

صكذا من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 7 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Aug 7 / Frs.)

[illegible]

CZECH REP (Aug 7 / Koruna)

[illegible]

DENMARK (Aug 7 / Kr)

[illegible]

FINLAND (Aug 7 / Mks)

[illegible]

FRANCE (Aug 7 / Frs)

[illegible]

GERMANY (Aug 7 / Dm.)

[illegible]

GREECE (Aug 7 / Drachma)

[illegible]

ITALY (Aug 7 / Lire)

[illegible]

NETHERLANDS (Aug 7 / Fls.)

[illegible]

NORWAY (Aug 7 / Kroner)

[illegible]

POLAND (Aug 7 / Zloty)

[illegible]

PORTUGAL (Aug 7 / Escudo)

[illegible]

SPAIN (Aug 7 / Pta.)

[illegible]

SWEDEN (Aug 7 / Kronor)

[illegible]

SWITZERLAND (Aug 7 / Frs.)

[illegible]

TURKEY (Aug 7 / TK Lira)

[illegible]

PACIFIC

JAPAN (Aug 7 / Yen)

[illegible]

HONG KONG (Aug 7 / H.K.$)

[illegible]

INDONESIA (Aug 7 / Rupiah)

[illegible]

MALAYSIA (Aug 7 / MYR)

[illegible]

NEW ZEALAND (Aug 7 / NZ $)

[illegible]

SINGAPORE (Aug 7 / S$)

[illegible]

AUSTRALIA (Aug 7 / Aus$)

[illegible]

SOUTH KOREA (Aug 7 / Won)

[illegible]

TAIWAN (Aug 7 / TW $)

[illegible]

THAILAND (Aug 7 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Aug 7 / Rand)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Aug 7 / Can $)
4 pm close

[illegible]

MONTREAL (Aug 7 / Can $)
4 pm close

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year High and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Aug 7	Aug 6	Aug 5	1996 High	1996 Low
Argentina					
General(29/12/77)	(u)	16736.40	16576.67	18881.88 20/5	15501.28 28/7
Australia					
All Ordinaries(1/1/80)	2221.8	2222.8	2233.7	2328.00 26/4	2098.10 17/7
All Mining(1/1/80)	992.0	994.8	998.9	1118.40 8/5	934.90 16/7
Austria					
Credit Aktien(30/12/84)	353.93	354.74	356.38	394.99 31/5	349.65 22/7
Traded Index(2/1/91)	1027.68	1028.10	1031.48	1142.61 28/5	975.27 2/1
Belgium					
BEL20(1/1/91)	1748.55	1738.59	1747.61	1773.28 28/5	1574.90 2/1
Brazil					
Bovespa(29/12/83)	(u)	61308	62441	66822.00 12/7	43801.00 2/1
Canada					
Metals Minls♦(1975)	(u)	5107.18	(c)	5624.80 8/5	4687.47 16/1
Composite♦(1975)	(u)	5024.30	(c)	5246.40 31/5	4739.70 15/1
Portfolio$$(4/1/83)	(u)	2484.79	2490.38	2565.55 27/5	2327.39 12/1
Chile					
IGPA Gen♥(31/12/80)	(u)	5503.86	5538.75	5904.33 8/1	5215.28 8/4
Denmark					
CopenhagenSE(3/1/83)	413.23	411.47	411.82	416.10 4/7	368.40 2/1
Finland					
HEX General(28/12/90)	2014.65	2004.38	2012.10	2076.42 31/5	1661.67 10/1
France					
SBF 250(31/12/90)	1368.11	1370.54	1377.89	1457.58 6/6	1250.16 2/1
CAC 40(31/12/87)	1996.74	1999.34	2013.19	2146.79 30/4	1897.86 11/1
Germany					
FAZ Aktien(31/12/58)	891.92	889.78	888.16	911.74 5/7	818.56 2/1
Commerzbank(1/12/53)	2582.10	2581.90	2578.80	2627.80 5/7	2370.10 2/1
DAX‡(30/12/87)	2531.89	2522.47	2520.93	2583.49 5/7	2284.86 2/1
Greece					
Athens SE(31/12/80)	872.99	879.66	883.45	1017.96 4/3	872.99 7/8
Hong Kong					
Hang Seng(31/7/64)	11127.54	11134.80	11071.43	11594.99 16/2	10204.87 2/1
India					
BSE Sens.(1979)	3543.44	3481.29	3492.68	4069.25 18/6	2828.08 25/1
Indonesia					
Jakarta Comp.(10/8/82)	553.94	554.79	562.83	630.21 24/4	512.48 2/1
Ireland					
ISEQ Overall(4/1/88)	2518.17	2490.58	(c)	2586.19 18/6	2234.61 2/1
Italy					
Banca Comm Ital(1972)	603.93	608.92	614.92	674.10 20/5	572.21 27/3
MIB General(2/1/96)	1024.0	1032.0	1042.0	1142.00 20/5	970.00 27/3
Japan					
Nikkei 225(16/5/49)	20477.59	20744.88	21077.47	22666.80 26/6	18734.78 13/3
Nikkei 300(1/10/82)	291.57	294.51	297.87	319.70 25/6	284.48 11/3
Topix(4/1/68)	1568.44	1584.81	1601.88	1722.13 26/6	1524.12 13/3
2nd Section(4/1/68)	2091.14	2110.49	2126.71	2261.48 2/7	1982.78 14/3
Malaysia					
KLSE Comp.(4/4/86)	1100.18	1099.52	1105.29	1180.54 30/4	993.18 2/1
Mexico					
IPC(Nov 1978)	(u)	3208.79	3177.88	3352.88 22/5	2736.58 8/3
Netherland					
CBS TtlRtnGen(End 83)	629.8	624.4	626.5	652.60 12/6	539.60 2/1
CBS All ShrEnd 83)	373.5	370.3	371.8	387.10 12/6	328.70 2/1
New Zealand					
Cap. 40(1/7/86)	2171.55	2184.36	2177.47	2283.08 4/1	2025.14 7/6
Norway					
Oslo SE(Ind)(2/1/83)	1372.97	1365.86	1360.49	1466.71 12/6	1258.69 30/1
Philippines					
Manila Comp(2/1/85)	3128.82	3121.52	3153.98	3374.40 5/7	2578.97 2/1
Portugal					
BVL 30(4/1/93)	1924.15	1913.36	1910.33	1989.29 3/7	1802.81 2/1
Singapore					
SES All-S'pore(2/4/75)	534.10	538.40	541.70	610.37 5/2	522.15 30/7
South Africa					
JSE Gold(28/9/78)	1811.4♥	1832.8	1827.1	2030.40 29/5	1346.40 2/1
JSE Ind.(28/9/78)	7856.7♥	7999.7	7995.4	8729.30 25/1	7723.20 20/5
South Korea					
KoreaCmpEx**(4/1/80)	834.03	828.05	824.30	986.84 7/5	805.16 28/7
Spain					
Madrid SE(30/12/85)	357.87	360.01	362.38	375.25 1/7	323.75 11/1
Sweden					
AffarsvarldnGen(1/2/37)	1954.1	1940.3	1949.6	2019.00 6/6	1708.80 22/1
Switzerland					
Swiss Bk Ind(31/12/58)	1740.14	1724.45	1715.79	1811.88 11/7	1516.39 17/1
SBC General(1/4/87)	1236.11	1225.84	1221.39	1284.98 11/7	1114.47 26/1
Taiwan					
WeightedPr.**(30/6/66)	6261.46	6265.98	6083.66	6860.41 29/5	4690.22 6/2
Thailand					
Bangkok SET(30/4/75)	1133.33	1125.48	1137.44	1415.04 6/2	1064.04 31/7
Turkey					
Istanbul Cmp.(Jan 1986)	65525.3	65885.2	67005.2	73531.30 9/7	38779.30 2/1
WORLD					
MS Capital Intl(1/1/70)	763.2*	765.4	767.9	783.20 1/7	726.90 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1641.25	1641.58	1644.88	1708.78 4/7	1504.40 11/1
Euro Top-100(26/6/90)	1409.72	1403.28	1410.03	1458.28 26/4	1333.01 11/1
HSBC JC Drgn(31/12/88)	(u)	369.51	369.9	393.16 15/4	344.19 2/1
ING Bings Emrg(7/1/92)	158.30	158.51	158.79	165.91 4/7	147.35 2/1

** Sat Aug 3: Taiwan Weighted Price 6106.87; Korea Comp Ex 824.08. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7, JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. $$ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 7 - 2541.41 -13.68

US INDICES

Dow Jones	Aug 6	Aug 5	Aug 2	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5696.11	5674.28	5679.83	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	102.46	102.48	102.30	106.08 (14/2)	100.89 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2062.77	2068.47	2061.34	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	12.32 (8/7/32)
Utilities	211.71	212.62	211.92	234.00 (12/2)	204.86 (30/7)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5716.45 (5719.04) Low 5630.28 (5639.14) (Theoretical♦)
Day's high 5700.92 (5696.11) Low 5648.02 (5651.34) (Actual♦)

Standard and Poors	Aug 6	Aug 5	Aug 2	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	662.38	660.23	662.49	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	784.46	781.23	783.03	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	68.47	68.38	69.16	69.16 (2/8)	58.87 (10/1)	69.16 (2/8/96)	8.64 (1/10/74)
NYSE Comp.	353.65	352.81	353.87	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	548.74	548.59	548.87	614.98 (22/5)	525.60 (18/7)	614.89 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1128.87	1120.53	1124.92	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Aug 2	Jul 26	Jul 19	Year ago
Dow Jones Ind. Div. Yield	2.20	2.28	2.30	2.43
	Jul 31	Jul 17	Jul 10	Year ago
S & P Ind. Div. yield	2.10	2.32	2.03	2.07
S & P Ind. P/E ratio	21.35	18.63	21.97	18.68

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Micron Tch	7,000,200	22	+1⅛
Compaq Cm	4,983,200	55⅝	+1⅜
Wallace Cm	4,171,200	27¼	-2⅜
IBM	3,587,800	109⅝	+⅛
Brwng Fers	3,436,700	24⅛	+1
Utd Health	3,410,600	37½	+1⅛
AT & T	3,369,200	54⅛	-¼
Darden Rst	3,330,900	8⅝	+⅛
Sec Cap	3,227,000	17⅝	-⅛
Office Dpt	2,883,800	16½	+1

■ TRADING ACTIVITY

● Volume (million)

	Aug 6	Aug 5	Aug 2
New York SE	347.227	303.766	444.744
Amex	18.180	15.993	19.824
NASDAQ	464.273	405.876	592.093
NYSE			
Issues Traded	3,200	3,178	3,205
Rises	1,281	1,131	2,102
Falls	1,132	1,225	505
Unchanged	787	822	598
New Highs	61	76	135
New Lows	27	24	23

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Aug	2003.0	1999.0	-3.5	2007.0	1989.5	8,643	23,345
Sep	2007.5	2004.5	-3.5	2011.0	1996.0	809	21,772
■ DAX							
Sep	2542.0	2551.0	+15.0	2554.0	2536.0	13,595	-
Dec	2559.0	2569.5	+17.5	2572.0	2556.5	653	5,229
■ OMX							
Jul	1505.00	1516.00	+19.50	1517.00	1500.00	1,785	15,439
Aug	1510.05	1513.50	+5.50	1513.50	1510.00	125	2,988
■ SOFFEX							
Aug	3847.9	3865.0	+29.1	3867.0	3847.0	4,705	28,381
Oct	3856.0	3874.0	+28.5	3868.0	3856.0	70	292

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Sep	664.15	667.40	+3.15	666.50	663.75	52,189	177,549
Dec	672.10	673.30	+3.20	672.10	672.10	396	10,062

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Sep	20770.0	20520.0	-250.0	20840.0	20470.0	19,587	234,735
Dec	20820.0	20520.0	-320.0	20830.0	20510.0	1,071	13,974

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, August 7, 1996

	Stocks Traded	Closing Prices	Change on day
TYK Corp	11.9m	1180	-100
Honda Motor	9.3m	2620	-30
Nichiboshin	5.7m	434	+24
Nippon Stl Corp	4.6m	353	-3
Mitsui Matushima	4.0m	580	-40
Showa Aluminium	4.0m	675	+23
NKK Corp	2.9m	291	-9
Toshiba Corp	2.9m	703	-8
Nissan Motor	2.5m	835	-31
Kanebo	2.2m	277	+1

NEW YORK STOCK EXCHANGE PRICES

4 pm close August 7

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
23¾	17⅛	AAR x	0.48	2.4	19	468	19⅞	19½	19⅝	
46⅛	36⅛	AMP x	1.00	2.5	19	3654	40¾	39⅞	40½	+½
97½	68	AMR			16	6019	82¼	81⅛	81¾	+¼
50½	37⅞	ASA	2.00	4.9	26	205	41	40½	40⅝	-¼
46⅞	38⅛	Abbott	0.96	2.1	19	8128	45⅞	45¼	45¼	-⅝
17¼	12¼	Abitibi Pr	0.40	3.1	6	1152	13	12⅞	13	+⅛
20¼	13½	ABM Ind	0.35	2.0	18	317	18¾	17¾	17¾	-¾
18⅝	13⅞	Acptncein			47	702	u18⅝	18	18	-⅛
50⅞	37¾	ACE Ltd	0.56	1.2	11	2798	46⅛	44¼	46⅛	+1⅝
10⅛	9⅛	ACM Gvt In x	0.90	9.0	8	137	10	9⅞	10	
7⅞	6⅝	ACM GvOpp x	0.57	8.1		182	7⅛	7	7	-⅛
7¼	6	ACM Gvt Sp x	0.66	10.2		452	6⅝	6½	6½	
9⅛	8¼	ACM Gvt Se x	0.90	10.1		999	8⅞	8¾	8⅞	
9½	8⅞	ACM Mun x	0.90	9.7		362	9¼	9⅛	9¼	+⅛
13⅞	6⅛	Acme Elect			40	95	7⅛	7¼	7⅞	
17½	15	Acme Mills			9	83	15¼	d15	15	-¼
33¾	27¾	AcordSu	0.80	2.6	18	3	30¾	30⅝	30¾	+¼
21⅞	12	Acuson			70	456	14⅛	13⅞	14⅛	+¼
19½	17⅞	Adams Expr	0.48	2.6	0	151	18¾	18⅝	18¾	
21¼	10¼	AdvMic			9	13086	14¾	13¼	14⅛	+1⅛
11⅛	8½	Advest Grp	0.16	1.6	7	98	10	9¾	9¾	-¼
26⅛	9⅛	Advo Inc	0.10	1.0	512	226	10¼	10	10¼	-¼
50⅞	41⅛	Aegon	1.18	2.4	15	127	49	48½	48⅞	-⅜
6¼	3½	Aerfx			3	157	5½	5⅜	5⅜	
65	57⅝	Aetna	2.76	4.3	7	18332	u65	62⅞	64¼	+2⅛
34¾	28¼	Aflac	0.40	1.2	14	2044	u34¾	33¾	34⅝	-⅛

Continued on next page

صحكنا من الاهل

4 pm close August 7

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
20⅝	12	ScANG	0.05	0.4	35	1241	14	13¾	13⅞	-⅛
21	17	Scaman	0.10	0.5	11	150	20⅝	20½	20⅝	+¼
47½	38⅛	Scripps	0.52	1.2	24	294	43⅝	43⅛	43⅝	+⅜
18⅛	13¼	ScuddrNAsF	0.02	0.1		58	13⅝	13½	13⅝	+⅛
12⅞	11	ScuddrNEuF	0.16	1.3		58	12½	12¼	12¼	-⅛
20½	16	SeaCntB x	0.17	0.9	2	10	18⅝	18⅜	18½	
16	15	SeaC1.4625	1.46	9.6		2100	15¼	15¼	15¼	
67¾	36⅛	S'gate			24	13985	51½	50⅝	50⅞	+2⅜
36⅜	30⅞	Seagrm	0.60	1.7	23	5057	34½	33¾	34½	+¾
28	17⅛	Seagull En			12	1515	18⅜	18	18⅜	+⅜
38⅛	26	Sealed Air			25	818	36½	36⅛	36½	+⅝
53⅞	38¼	SearsR	0.92	2.1	16	16080	44¼	42⅞	43⅞	+⅝
22⅞	19¼	SecCapSBI x	1.24	5.9	19	384	21	20⅞	21	+¼
13	11⅞	Seligm Sel	0.84	6.7		139	12⅝	12⅝	12⅝	
23¼	13⅝	Sensormat x	0.22	1.4	13	1651	15¾	15½	15¾	+¼
44⅞	29½	SequaA	0.60	1.4	111	7	42¼	42¼	42¼	+¼
50	39	SequaB	0.50	1.0	128	19	48⅞	47¾	48⅞	+1⅝
60¼	38⅞	ServCp	0.48	0.8	28	951	57⅝	57⅛	57⅝	+⅜
23½	19½	SvMstr	0.68	3.0	14	1129	23	22¾	22¾	-¼
6¼	4½	ServMerch			10	2933	4⅞	4⅝	4¾	+⅛
48¼	28½	SGSThom			7	4837	37⅞	36½	37⅛	+1⅛
15⅛	10⅝	Shaw Ind	0.30	2.1	36	4178	14⅝	13⅞	14⅛	
13½	10⅛	Shelby Wil	0.32	2.5	15	34	13	12¾	13	+⅛
89⅞	76⅝	ShellTr	3.26	3.8	18	171	87½	86⅜	86⅞	-½
47	39	ShrW	0.70	1.5	18	649	46⅞	46	46¼	+¼
13⅜	7⅞	Shoneys			11	992	9⅞	9¾	9⅞	
35½	19¼	Showboat	0.10	0.5	90	537	21	20½	20⅝	-⅜

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AMEX PRICES

4 pm close August 7

NASDAQ NATIONAL MARKET

4 pm close August 7

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AMERICA

Dow subsides, semis add to recent gains

Wall Street

US share prices fell away in late morning trading after a firm start, in spite of a continuing rally among semiconductor and construction stocks, *writes Richard Waters in New York.*

A surge in prices late on Tuesday carried over to yesterday morning, lifting the Dow Jones Industrial Average by 23.3 points soon after trading opened. However, the rally lost momentum as profit-taking took over, sending the Dow back to where it had started the day. At midday, the index was unchanged at 5,696.11.

The Nasdaq composite fared better, holding on to some of its early gains to trade at 1,131.79, a rise of 2.92, while the Standard & Poor's 500 fell back 0.25 to 662.13.

Semiconductor stocks added to recent gains in anticipation of the publication, due later in the day, of the industry's "book-to-bill" ratio.

This indicator, which compares orders for new chips with current shipments, was expected to show a more robust picture of new orders after several weak months.

Intel was up $¾ to 80⅝, a new record, in spite of a delay in the introduction of its multimedia Pentium chip. Micron Technology jumped $3 to $25 on a more optimistic earnings forecast from Merrill Lynch.

The biggest declines among Dow stocks during the morning came from Chevron, Exxon and Texaco, echoing weakness among oils companies generally. Chevron was trading at $58⅝, a fall of $1¼, while Exxon was down $1⅛ at $82⅞ and Texaco was off $½ at $86⅛.

On the NYSE Westinghouse Electric shed $⅛ to $16⅝. Another creation of a giant media acquisition, Time Warner, lost $¼ to $36¼ as it emerged that the company was in discussions with its biggest shareholder, Seagram, after a prolonged stand-off between the two. Concern that Seagram would sell its stake has been among the factors weighing on Time Warner's shares, which are trading 20 per cent below their 52-week high.

Oxford Health Plans, a managed healthcare company, rose sharply for the third day, following a big healthcare merger on Monday. Oxford rose $2⅞, or 6.5 per cent, to $44⅛, bringing its advance since the beginning of the week to 17 per cent.

Canada

Toronto crept higher at midday, with the TSE 300 composite index up 4.22 at 5,028.48. TeleGlobe was up 75 cents at C$23.40 after the telecommunications company named a new president and chief executive officer late on Tuesday; among other buoyant high tech stocks, Hummingbird Communications was C$1.05 better at C$37.65.

SOUTH AFRICA

Equities were upset as a weak rand and fears of a poor July reserve figure prompted talk of a possible rise in interest rates. The overall index lost 39.4 at 6,721.1, the industrial index weakened 46.7 at 7,953.0 and the gold index was off 23.8 at 1,809.0.

Amic was down 500 cents to 158 rand, De Beers shed 250 cents to 132 rand.

EUROPE

Surprise results lift Schering 5.9%

A welcome surprise in pharmaceuticals, mixed pickings in the banking sector and another scare at Metallgesellschaft gave FRANKFURT plenty to bite on, as the Dax index moved to an Ibis-indicated 2,541.41, up 13.68 on the day.

Schering's 32 per cent rise in first half earnings, and the forecast of a gain of a third in profits for the year, was well ahead of analysts' forecasts. The shares easily topped the Dax 30 performance charts with a gain of DM6.15, or 5.9 per cent, at DM110.50. Mr Mark Tracy at Goldman Sachs added that the group's recent strategic deals, with Abbott in imaging and Leiras, and Jenapharm in hormones, had also strengthened its therapeutic presence.

In banks, Dresdner managed a rise of 47 pfg to DM41.55 after a 44 per cent jump in six month operating profits but its denial of merger talks with Bayernhypo, down 19 pfg at DM43.86, took some of the steam out of the sector. Bayernverein, the most recently effervescent, fell DM1.04, or 1.9 per cent, to DM53.

Financials, however, were also enlivened by a real deal: the German Federal Cartel office's cautious welcome to subsidiary share stake swaps with Allianz left Munich Re registered up DM75 at DM3,555, a new 1996 high.

Meanwhile, it seemed at the end of the day that what might have been an extremely expensive mistake in the LME copper options market had been broadly settled. Metallgesellschaft, which had a previous, near-fatal accident in oil trading, was named as the prime mover. The company explained it only had a minority interest in the copper brouhaha, and fell 30 pfg to DM26.88.

AMSTERDAM digested first half figures from both Akzo Nobel and Hoogovens, and found particular pleasure in the latter, marking the shares up Fl 3.90, or 6.8 per cent, to Fl 61.20. Akzo retreated from a high of Fl 193 to close with a gain of Fl 1 at Fl 189.70.

The AEX index was also in good spirits, rising 5.65 to 553.44. Analysts said that they were pleased with the Hoogovens interim figures, which matched expectations, and defied fears that the group might release disappointing results.

As far as Akzo was concerned, sector analysts felt that the company had put in a good performance and that its forecast for the second half was in line with expectations.

PARIS equity trading, once again, was affected by weakness in the franc. The CAC-40 index eased 2.60 to 1,996.74, in turnover of FFr2.6bn.

Accor was the day's heaviest loser, down FFr18, or 2.7 per cent, at FFr640, as Merrill Lynch cut its earnings forecast for the hotel group to FFr1bn from FFr1.2bn for 1996, and to FFr1.3bn from FFr1.7bn for 1997. The group is due to release half year sales data tomorrow, and Merrill expects these figures to confirm the slowdown in both French and German hotel room occupancy rates.

Eurotunnel put in the day's best performance, with a rise of 35 centimes, or 4.3 per cent, to FFr8.45, as more investors took a positive view of the group after the release of encouraging data earlier this week.

L'Oreal, which reported a 12 per cent gain in first-half sales, added FFr21, or 1.4 per cent, at FFr1,548.

MILAN took the Stet privatisation news coolly, and the stock fell steadily throughout the session, closing off L237, or 4.7 per cent, at L4,765. The government said late on Tuesday that the telecoms group would be sold off between February 1 and March 31.

One explanation of Stet's fall was that some institutions were taking profits following a good rise as the market anticipated the announcement. However, there was also disappointment that the sale of major non-core assets, such as Italtel, had not been given either a definite go-ahead or date. A number of commentators also felt that the announcement fell short of the industry shake-up that had been eagerly awaited.

TIM, the mobile telephone operator, fell L8 to L3,270 and Telecom Italia was L37 lower at L2,875.

The Mibtel index eased 81 to 9,634, off a low of 9,582, while the Comit shed 4.99 to 603.93.

ZURICH took its cue from the dollar, US bonds and the Dow, and the SMI index closed 33.6 to 3,652.6 in modest volume. ABB put on another SFr14 at SFr1,483 ahead of today's half year figures from the engineer; in banks, SBC, due to report next Wednesday, climbed SFr5.25, or 2.25 per cent, to SFr240.25.

MADRID was shaky, with sharp bond market losses weighing on prices. Utilities were down as a class; Tabacalera fell a further Pta170 to Pta5,060 on the threat of a price war with Philip Morris, and Repsol dropped Pta80 to Pta4,160 on uncertainties overhanging the oil industry after the announcement of US sanctions on investments in Libya and Iran.

DUBLIN was encouraged by good results from some UK banking stocks, and the sector rose 1.7 per cent as the ISEQ overall index firmed 27.59, or 1.1 per cent, to 2,518.7. Relatively small deals pushed AIB up 6p at 350p and Bank of Ireland 8p at 450p.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

Aug 7 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1641.05	1641.88	1642.30	1642.86	1642.42	1643.08	1641.97	1641.25
FT-SE Eurotrack 200	1700.11	1700.70	1700.27	1702.35	1699.86	1701.72	1701.77	1702.51

THE EUROPEAN SERIES

	Aug 6	Aug 5	Aug 2	Aug 1	Jul 31
FT-SE Eurotrack 100	1641.58	1644.88	1631.65	1609.16	1596.93
FT-SE Eurotrack 200	1693.46	1696.64	1684.27	1667.27	1652.26

Base value 1000 (26/10/90); High/day: 100 - 1643.50; 200 - 1703.81 Low/day: 100 - 1640.90 200 - 1699.91. † Partial.

Mexico supported by rate cut

The region's equity markets were cautiously higher in midsession trading.

MEXICO CITY was encouraged by a fall in domestic interest rates, as well as economic data showing that the country's industrial production rate had risen by more than 13.2 per cent during May, a figure that was higher than expectations. The IPC index was up 15.11 at 3,221.89 by midday.

SAO PAULO was holding its own with the Bovespa index just 125 ahead at 61,432. Many investors were digesting news that a local broker had downgraded Telebras, one of the market's leading stocks. BUENOS AIRES was also impassive at midday, and the Merval index had risen 2.57 to 553.70.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: August 2nd 1996	% Change over week	% Change on Dec '95	Local currency terms: August 2nd 1996	% Change over week	% Change on Dec '95
Latin America	(246)	530.54	+4.3	+12.5			
Argentina	(31)	836.86	+7.7	+4.5	512,764.60	+7.7	+4.3
Brazil	(66)	370.06	+4.3	+21.2	1,398.03	+4.3	+25.9
Chile	(43)	733.80	-0.3	-2.0	1,213.11	+0.3	-0.5
Colombia[1]	(15)	605.34	+2.3	+1.2	1,129.84	+1.7	+7.7
Mexico	(66)	525.15	+6.5	+15.9	1,705.85	+5.7	+13.3
Peru[2]	(21)	227.73	+5.8	+15.5	342.49	+6.6	+23.3
Venezuela[3]	(5)	498.57	+4.4	+48.1	5,415.52	+4.6	+107.5
Asia	(632)	249.17	+0.7	+7.3			
China[4]	(24)	57.33	-1.9	+6.0	60.14	-1.9	+5.8
South Korea[5]	(145)	103.82	+1.7	-17.6	111.05	+1.6	-13.5
Philippines	(35)	313.27	+4.1	+20.7	396.44	+4.1	+20.5
Taiwan, China[6]	(83)	140.04	+1.5	+24.2	144.59	+1.4	+25.1
India[7]	(76)	93.31	-1.6	+16.1	117.48	-2.0	+17.0
Indonesia[8]	(44)	113.50	+0.1	+3.5	144.52	+0.5	+6.1
Malaysia	(123)	306.00	+0.6	+12.8	281.80	+0.7	+10.9
Pakistan[9]	(25)	249.94	-0.6	+3.0	403.02	-0.4	+6.9
Sri Lanka[10]	(5)	94.56	+1.7	-9.1	113.72	+1.7	-5.9
Thailand	(72)	305.67	-0.4	-18.7	306.65	-0.6	-18.4
Euro/Mid East	(238)	138.38	+1.4	-2.3			
Czech Rep	(5)	73.18	+0.4	+21.9	64.44	-0.0	+21.1
Greece	(47)	243.47	+0.0	+0.8	389.09	-0.1	+0.5
Hungary[11]	(8)	164.49	+5.9	+67.1	296.00	+5.8	+82.9
Jordan	(8)	165.06	-1.5	-10.6	246.63	-1.5	-10.5
Poland[12]	(22)	667.48	-3.4	+56.6	1,137.96	-3.3	+71.9
Portugal	(26)	129.95	-0.9	+12.3	135.83	-1.1	+14.3
South Africa[13]	(63)	221.30	+0.1	-14.2	204.66	+0.6	+5.4
Turkey[14]	(54)	156.86	+10.4	+50.1	6,186.57	+10.8	+107.0
Zimbabwe[15]	(5)	368.06	-0.1	+34.0	540.27	-0.2	+43.3
Composite	(1119)	293.55	+2.1	+6.4			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

In a review of its Latin American equity portfolio this week Bear Stearns lifted its rating on Mexico to neutral from underweight, cut Peru to neutral from overweight and maintained a neutral weight on Argentina. The broker explained that the recent improvement in the outlook for US interest rates was a positive factor for the region. "Meanwhile, the gradual recovery of economic growth in Latin America, relatively attractive valuations and steady investment flows, as emerging markets continue their 1996 comeback from the traumas of the past two years, remain as positive supports for the region's equity markets," said Bear Stearns.

The broker added 2.7 percentage points to Mexico's recommended weighting of 24.2 per cent: "The gradual improvement in the policy environment, with an ongoing shift in focus from austerity to growth should support further price appreciation, while the market is now quite cheap at 10.3 times 1997 earnings". The broker raised its year-end target for the IPC index to 3,700 from 3,500, with the dollar-adjusted target rising to 451 from 427.

Peru's rating was cut mainly because of a deterioration in the outlook for inflation, with the year-end inflation forecast being raised from 10 per cent to 12 per cent. Elsewhere in the region Bear Stearns reiterated its overweight recommendations on Brazil and Chile, and also maintained its neutral weight on Venezuela and underweight on Colombia.

ASIA PACIFIC

Nikkei off 1.3% on US unwinding fears

Tokyo

Fears that US investors were cutting down their overseas investments heightened pessimism and the Nikkei average fell 1.3 per cent, *writes Emiko Terazono in Tokyo.*

The 225 index lost 267.29 at 20,477.59 after moving between 20,452.97 and 20,827.97. Small lot selling by overseas investors combined with the slide in speculative stocks, prompting further selling in the face of margin calls.

Volume totaled 280m shares against 274m. The Topix index of all first section stocks fell 16.37 to 1,568.44 and the Nikkei 300 fell 2.94 to 291.57. Declines led advances by 869 to 154 with 178 unchanged.

In London, the ISE/Nikkei 50 index rose 5.34 to 1396.21.

Sentiment weakened on speculation that US investors would continue to unwind their positions. Worries that futures-linked trades tied to the options settlements on Friday would depress shares kept most domestic investors on the sidelines. The Nikkei had taken its fall to 9.7 per cent from the four year high of 22,666.80 posted on June 26, and there were fears that the key index could go into a downward spiral if it broke the near term technical support level of 20,400.

Among speculative stocks, Tokai Kogyo plunged Y75 to Y600 and TYK, the most active issue of the day, by Y100 to Y1,180, but Nichiboshin, a non-bank money lender, gained Y34 to Y434.

Overseas investors sold blue chips in small lots. Nippon Steel fell Y3 to Y353 and Kawasaki Steel declined Y10 to Y372. Nissan Motor fell Y31 to Y835.

The yen's decline failed to stop a fall in technology issues. Toshiba fell Y8 to Y703, Sharp declined Y20 to Y1,740 and Sony retreated Y80 to Y6,790.

Banks lost ground on arbitrage-linked trading. Industrial Bank of Japan fell Y30 to Y2,270, Dai-Ichi Kangyo Bank fell Y10 to Y1,810 and Fuji Bank lost Y20 to Y1,030.

In Osaka, the OSE average fell 255.64 to 21,648.59 in volume of 26.4m shares. Kanematsu NNK, another speculative stock, plunged Y480 to Y3,210.

Roundup

Indian traders said that several domestic funds, including state-owned insurance institutions, turned buyers and lifted BOMBAY by 1.8 per cent. The BSE 30 share index closed 62.15 higher at 3,543.44.

Cement and steel shares jumped on higher product prices. DCM Daewoo Motors jumped Rs6.25, or 15.6 per cent, to Rs46 on its plans for a rights issue; this followed the recent news that Daewoo Motor of South Korea was considering expanding its stake in DCM from 51 to 75 per cent.

KUALA LUMPUR pushed United Engineers (UEM) higher in late trading, helping the market after the government approved new road toll rates for UEM's wholly-owned Projek Lebuhraya Utara Selatan (PLUS). UEM rose 50 cents to M$18.00, leaving the KLSE composite index 6.61 higher at 1,100.13.

SHANGHAI balanced a recovery in sentiment against profit-taking in leading Pudong shares after rises in the previous few days. The B share index ended off intra-day highs, but still 0.940, or 1.8 per cent, higher at 51.913 in turnover of $12.9m. Shanghai Lujiazui Finance and Trade Zone Development led active stocks, rising $0.024, or 2.75 per cent, to $0.894 in 8m shares.

BANGKOK decided that the promised support fund for the market was an advantage again and reversed Tuesday's falls. The SET index ended 7.85 higher at 1,133.33. But foreigners stayed away, and turnover was just Bt3.4bn.

SEOUL started with underpriced, large-capitalisation stocks and moved on to broadly-based buying which left the composite index 5.98 points higher at 834.03.

HONG KONG snapped its five-day winning streak, the Hang Seng index ending 7.06 lower at 11,127.54 in turnover down from HK$5.98bn to HK$4.59bn. Giordano, the retailer, dropped 60 cents to HK$6.00, after a year's low of HK$5.85 on lower than expected interim results. Hong Kong Aircraft Engineering (HAECO) rose 50 cents to HK$20.10 after a small rise in half year profits.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY AUGUST 6 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY AUGUST 5 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (80)	197.46	-0.1	190.41	133.46	152.38	169.33	-0.5	4.26	197.73	189.87	133.27	152.27	170.11	212.18	177.98	184.73
Austria (24)	178.14	-0.5	171.77	120.40	137.46	137.39	-0.3	2.05	179.05	171.94	120.68	137.89	137.83	198.49	168.11	196.49
Belgium (27)	215.40	-0.8	207.70	145.58	166.21	162.51	-0.6	4.10	217.11	208.49	146.34	167.20	163.45	217.11	186.06	200.56
Brazil (28)	176.06	-1.6	169.78	119.01	135.87	327.37	-1.5	1.95	178.94	171.83	120.61	137.80	332.43	189.70	123.97	149.21
Canada (119)	158.81	0.1	153.14	107.34	122.55	158.01	0.1	2.27	158.66	152.35	106.94	122.18	157.92	165.12	134.14	148.30
Denmark (30)	311.03	-0.5	299.92	210.22	240.01	242.69	-0.3	1.89	312.67	300.25	210.75	240.79	243.46	312.67	276.89	294.19
Finland (23)	197.20	-0.4	190.15	133.28	152.17	185.55	-0.7	2.69	198.05	190.18	133.49	152.52	186.89	276.11	171.73	261.17
France (95)	190.73	-0.9	183.91	128.91	147.18	151.15	-0.6	3.19	192.46	184.82	129.72	148.22	152.05	198.39	167.70	190.64
Germany (58)	174.35	0.1	168.12	117.84	134.54	134.54	0.3	1.81	174.14	167.22	117.37	134.10	134.10	174.38	155.66	167.01
Hong Kong (59)	425.77	-0.1	410.55	287.77	328.55	423.02	0.0	3.38	426.11	409.18	287.21	328.15	423.18	451.19	348.81	367.78
Indonesia (27)	193.86	-1.8	186.93	131.03	149.59	278.05	-1.9	1.71	197.43	189.58	133.07	152.04	283.41	-	-	-
Ireland (16)	280.72	-0.3	270.69	189.74	216.62	246.51	-0.1	3.53	281.63	270.44	189.82	216.88	246.71	280.82	235.68	248.70
Italy (58)	77.56	-0.4	74.79	52.42	59.85	87.76	-0.4	2.45	77.84	74.74	52.46	59.94	88.13	84.53	67.22	82.35
Japan (481)	148.92	-1.4	143.60	100.65	114.92	100.65	-1.1	0.76	150.97	144.97	101.75	116.26	101.75	164.69	137.75	148.87
Malaysia (107)	539.39	-0.9	520.11	364.56	416.22	517.05	-1.0	1.73	544.22	522.60	366.81	419.11	522.36	585.09	425.77	552.71
Mexico (19)	1231.40	1.4	1187.40	832.26	950.23	10144.05	1.2	1.31	1214.20	1165.95	818.39	935.06	10024.92	1325.65	791.99	1200.85
Netherland (19)	295.84	-0.5	285.27	199.96	228.29	224.83	-0.3	3.21	297.44	285.62	200.48	229.06	225.54	299.69	245.79	261.29
New Zealand (15)	84.16	0.8	81.15	56.88	64.94	65.01	0.2	4.17	83.50	80.18	56.28	64.30	64.89	84.71	75.94	82.83
Norway (35)	248.15	0.1	239.28	167.72	191.49	216.02	0.3	2.09	247.87	238.02	167.07	190.89	215.30	256.94	222.24	242.94
Philippines (22)	203.40	-1.1	196.13	137.47	156.95	265.52	-1.1	0.62	205.61	197.44	138.58	158.34	268.41	-	-	-
Singapore (44)	390.05	-1.4	376.12	263.63	300.99	254.74	-1.3	1.49	395.59	379.87	266.64	304.65	258.14	465.21	355.81	377.41
South Africa (44)	341.94	-0.5	329.72	231.11	263.86	334.62	-0.2	2.22	343.51	329.86	231.53	264.54	335.06	437.76	329.57	354.44
Spain (37)	179.37	-0.4	172.96	121.23	138.41	170.94	-0.5	3.42	180.10	172.94	121.39	138.69	171.88	183.85	145.15	180.51
Sweden (48)	350.96	-0.3	338.42	237.21	270.82	342.39	-0.5	2.49	352.09	338.10	237.32	271.15	344.49	380.77	280.13	269.18
Switzerland (37)	246.19	0.0	237.39	166.40	189.98	184.06	0.4	1.61	246.08	236.30	165.86	189.51	183.38	252.34	191.24	201.89
Thailand (45)	149.85	-1.2	144.50	101.28	115.63	146.88	-1.2	2.27	151.74	145.71	102.28	116.86	148.68	193.95	141.28	169.03
United Kingdom (199)	235.89	-0.4	227.46	159.43	182.03	227.46	0.0	4.16	236.78	227.38	159.60	182.35	227.38	237.46	216.52	227.07
USA (625)	269.56	0.3	259.93	182.19	208.01	269.56	0.3	2.20	268.69	258.01	181.10	206.92	268.69	276.47	226.74	228.13
Americas (791)	246.24	0.3	237.44	166.43	190.02	207.06	0.3	2.19	245.49	235.74	165.47	189.06	206.46	252.43	208.19	209.90
Europe (706)	211.05	-0.3	203.50	142.64	162.86	182.32	-0.1	3.11	211.79	203.37	142.75	163.10	182.50	213.30	189.33	199.02
Nordic (136)	303.58	-0.3	292.71	205.17	234.25	259.18	-0.5	2.38	304.54	292.44	205.26	234.52	260.42	306.61	261.13	280.54
Pacific Basin (880)	161.72	-1.2	155.94	109.31	124.80	111.90	-1.0	1.22	163.63	157.13	110.29	126.02	113.00	177.01	148.96	159.77
Euro-Pacific (1586)	182.15	-0.8	175.64	123.11	140.56	138.51	-0.6	2.13	183.68	176.29	123.74	141.38	139.28	190.57	166.51	176.02
North America (744)	262.73	0.3	253.34	177.58	202.74	262.12	0.3	2.20	261.91	251.50	176.53	201.70	261.31	269.52	221.79	223.18
Europe Ex. UK (507)	192.40	-0.3	185.52	130.04	148.46	156.21	-0.2	2.54	193.04	185.37	130.11	148.66	156.47	194.86	169.65	179.35
Pacific Ex. Japan (399)	280.02	-0.4	270.02	189.26	216.06	242.84	-0.5	3.02	281.25	270.07	189.57	216.59	244.16	296.69	243.59	263.31
World Ex. US (1796)	183.38	-0.7	176.83	123.95	141.51	143.06	-0.5	2.13	184.74	177.40	124.52	142.27	143.81	191.55	167.36	177.10
World Ex. UK (2222)	207.54	-0.3	200.13	140.28	160.16	174.63	-0.2	1.96	208.12	199.85	140.27	160.27	174.95	213.05	185.61	189.25
World Ex. Japan (1940)	243.48	0.0	234.78	164.56	187.88	229.74	0.1	2.55	243.42	233.75	164.07	187.46	229.50	247.55	212.62	217.25
The World Index (2421)	210.05	-0.3	202.55	141.97	162.09	179.43	-0.2	2.16	210.65	202.28	141.98	162.22	179.72	214.95	188.49	192.54

Latest prices were unavailable for this edition.

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